

MINNESOTA • REVENUE

PROPERTY TAX Wabasha TIF District Extension

March 21, 2005

Department of Revenue
Analysis of H.F. 176 (Dempsey)/ S.F. 231 (Murphy)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective upon local approval.

EXPLANATION OF THE BILL

Current Law: Tax increment financing (TIF) provides a means of financing municipal improvement projects. Types of districts include redevelopment districts, housing districts, economic development districts, soil condition districts, renewal and renovation districts, and hazardous substance districts. Although these types of districts have particular distinguishing characteristics, all commonly possess the authority to retain the tax dollars generated by the “retained captured net tax capacity”. The captured net tax capacity equals the difference between the current year net tax capacity and the original net tax capacity of the properties within the TIF district. (The retained captured net tax capacity is after the subtraction any fiscal disparity or shared value reductions and after any prior year net tax capacity adjustments.) Activity must commence within five years of district creation.

Proposed Law: The bill would allow an exception to the five-year rule for Wabasha Redevelopment TIF District No. 3 by permitting a period of ten years for commencement of activities within the district. The Wabasha City Council is authorized to extend the duration of the district up to five additional years. The bill also allows the city to spend the proceeds of a tax increment bond sale to acquire and construct a National Eagle Center. TIF increments could also be used to pay debt service on the bonds.

REVENUE ANALYSIS DETAIL

- Wabasha TIF District No. 3 currently has no captured increment.
- The extensions of the commencement date and duration are likely to have an impact on the local tax base and tax rate in the future and result in a small increase in property tax refunds paid by the state.

Number of Taxpayers: All taxpayers in the City of Wabasha.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy