

MINNESOTA • REVENUE

PROPERTY TAX Fairmont TIF District

April 18, 2005

Department of Revenue
Analysis of H.F. 1213 (Gunther) / S.F. 1189 (Rosen)

	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 day following final enactment.

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 5 years of district creation.

Proposed Law: The bill would allow the city of Fairmont, Martin County, and Fairmont Area Schools to abate taxes on a parcel. The abatement for each subdivision may not exceed the taxes paid by the original tax capacity of the district for each year of its existence. Local officials are permitted to have a financial interest in the abatement if the official discloses the interest and abstains from voting on the matter.

REVENUE ANALYSIS DETAIL

- The parcel consists of property formerly owned by the U.S. Post Office in TIF District No. 20.
- By abating the taxes for a parcel, more tax is paid by other property types in the following year, as the abating jurisdiction compensates for abated, delinquent, or omitted taxes. The change could result in a small increase in property tax refunds paid by the state.

Number of Taxpayers: Taxpayers in the City of Fairmont.

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