

MINNESOTA • REVENUE

PROPERTY TAX TIF Small City Exemptions

February 8, 2005

Department of Revenue
Analysis of S.F. 183 (Kiscaden) / H.F. 133 (Demmer)

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

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 the day following final enactment and upon local approval.

EXPLANATION OF THE BILL

Current Law: A tax increment financing (TIF) district that is an economic development district can include “qualified border retail facilities” with a qualified shopping center or more than one retail store. A qualified border retail facilities district must be located in a “small city” within one mile of the border of the state and must be outside the seven-county metropolitan area. Also, revenues derived from an economic development TIF district in a small city may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility in a small city.

For TIF purposes, a “small city” is defined as a city that has a population of 5,000 or less and is located ten miles or more from a city within Minnesota with a population of 10,000 or more.

Proposed Law: The amendment exempts four cities from the requirement that they must be located ten miles or more from a city within Minnesota with a population of 10,000 or more. The cities are Elgin in Wabasha County, and Eyota, Byron, and Oronoco in Olmsted County.

REVENUE ANALYSIS DETAIL

- It is not known to what extent new districts would be created under these provisions.
- New TIF districts would 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 Affected: All taxpayers in taxing districts levying on property in the economic development districts could be affected.

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