PROPERTY TAX
TIF Transfers

April 1, 2009

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1895 (Scheid) / H.F. 2186 (Nelson)

	Fund Impact			
	F.Y. 2010	**F.Y. 2011**	**F.Y. 2012**	**F.Y. 2013**
	(000's)			
General Fund	$0	Unknown	Unknown	Unknown

Effective the day following final enactment.

EXPLANATION OF THE BILL

A municipality may elect to transfer increments from tax increment financing (TIF) districts to the municipality's general fund. The maximum transfer is the lesser of (1) the excess of the increment over the sum of district obligations plus other TIF district deficits, or (2) the sum of unallotted aid payments, reductions in state credit reimbursements, and local government aid reductions less unallotment special levies for 2008 through 2012. Increments may be spent only on payments of bonds and binding contracts, to offset deficits in other TIF districts, on administrative expenses, or on other transfers allowed in the bill. The commissioner of revenue may certify aid reductions for a city on request. The authority to transfer increments expires on December 31, 2012.

REVENUE ANALYSIS DETAIL

- The amount of increments available for transfer is unknown at this time.
- Transfer of increments to other purposes may have the effect of extending the duration of the TIF district. The proposed changes to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in a small increase in property tax refunds paid by the state.
- Transfer may provide municipalities with revenues that will allow them to recoup losses from aid unallotments without increasing property taxes. This would impact local levies and result in savings to the state in property tax refunds.

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

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