

MINNESOTA • REVENUE

VARIOUS TAXES Stimulus TIF Provisions, Flood Area Abatements

May 6, 2009

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2078 (Metzen), 1st Engrossment, Sections 11-12 only, **as amended by SCS2078A27 and incorporating flood abatement provisions**

	Fund Impact			
	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>
			(000's)	
TIF Provisions	\$0	Unknown	Unknown	Unknown
Flood Abatement	\$0	\$0	(\$1,000)	(\$1,000)
Property Tax Refunds	<u>\$0</u>	<u>\$0</u>	<u>\$40</u>	<u>\$40</u>
Total General Fund	\$0	\$0	(\$960)	(\$960)

Assumed effective August 1, 2009.

EXPLANATION OF THE BILL

Sections 11 and 12 allow local jurisdictions to pay or reimburse eligible projects costs of stimulus projects. Stimulus projects are defined as capital projects started after June 30, 2009 and before January 1, 2013, which create or retain jobs in the state.

The bill also allows TIF authorities to extend by ten years the duration limits for TIF districts created between July 31, 1979 and January 1, 2013 to pay expenditures related to stimulus projects.

The bill also abates the tax on class 1a, 1b, 2a, 4a, 4b, 4bb, and 4d farm homestead, residential, and apartment property whose construction commences between January 1, 2009 and December 31, 2010. Qualifying cities include Moorhead, Dilworth, East Grand Forks, and Breckinridge. Application for abatement must be filed with the county assessor. The abatement is capped at \$250,000 of market value for apartments, and is valid for 2 years. The commissioner of revenue shall reimburse each local jurisdiction for the amount of taxes abated.

REVENUE ANALYSIS DETAIL

TIF Provisions

- The amount and timing of payment on stimulus projects is unknown.
- The TIF duration extension applies to any type of TIF district with a stimulus project.
- The proposed exemption to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in an increase in property tax refunds paid by the state.

Flood Abatement Provisions

- The analysis is based on a three year average of new construction derived from fall mini abstract data. Other abstract and building permit data was used.
- The reduction in net taxes would reduce property tax refunds for homesteads by \$40,000 each year.
- The abatement would reduce the general fund by \$1.0 million each fiscal year.

Number of Taxpayers: Owners of residential new construction properties and taxpayers in jurisdictions with TIF districts would be directly affected.

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