MINNESOTA · REVENUE

February 25, 2013

PROPERTY TAX
Bloomington Provisions

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 0208 (Lenczewski) / S.F. 0207 (Wiklund) as introduced

	Fund Impact			
	FY2014	**FY2015**	**FY2016**	**FY2017**
	(000's)			
Property Tax Refunds	$0	($490)	($515)	($540)
Income Tax Interactions	$0	($460)	($480)	($500)
General Fund Total	$0	($950)	($995)	($1,040)

Effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill allows the city of Bloomington and its port authority to extend the duration limits of tax increment financing (TIF) district No.1-I, which contains the Bloomington Central Station property. The 5 year rule for activities to commence is extended to 15 years. The TIF district would be extended eight additional years through December 31, 2039.

The bill also redirects the TIF net tax capacity of TIF districts 1-C and 1-G from the fiscal disparities program, and allows the city to retain the contribution levy as if it were a TIF district. The bill allows the city of Bloomington and its port authority to extend the duration limits of tax increment financing (TIF) district No.1-G, which contains the former Met Center property, including Lindau Lane and part of No. 1-C, but only for the purposes of redirecting the fiscal disparities contribution. The local tax base in the TIF district decertifies as under current law. Effective following local approval.

REVENUE ANALYSIS DETAIL

- The proposed changes to the TIF provision for district No. 1-I may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.
- The fiscal disparities provisions would lower the contribution and distribution net tax capacities, and lower the metro distribution levy by an estimated $9 million in 2014. The amount of the lower fiscal disparities levy would be replaced by municipal, county, school and special district levies. The switch increases the amount of levy paid by metro taxpayers. Property tax refunds and income tax deductions would increase due to higher property taxes. It is estimated that property tax refunds would increase by $490,000 in FY 2015, by $515,000 in FY 2016, and by $540,000 in FY 2017. Income tax revenues would decrease by $460,000 in FY 2015, $480,000 in FY 2016, and by $500,000 in FY 2017.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability	Decrease	Complicated exception to general law reduces simplicity and transparency
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to <u>current law</u>.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx

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