

MINNESOTA • REVENUE

PROPERTY TAX

Workforce housing tax increment financing (TIF)

March 21, 2014

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 2794 (Reinert) as introduced.

Property tax section effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill creates a new class of tax increment financing (TIF) district for workforce housing. Municipalities qualifying for workforce housing projects must determine 1) that the county unemployment rate is 90% or less than the statewide unemployment rate, 2) that the percentage of adults aged 16 to 64 who are employed exceeds 80% (or if a non-metro municipality, has a postsecondary student population of 10% or more of the local population), 3) the average vacancy rate for rental housing is 2% or less for at least a two year period, 4) a qualifying local business has provided a written statement that lack of available rental housing has impeded recruiting, and 5) the municipality plans to use increments to develop rental housing.

Increments may be spent on acquisition of property, construction of improvements, loans, subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs. Income limits for districts receiving a loan or grant from the Minnesota Housing Finance Agency challenge program are specified by statute.

Effective for districts for which the request for certification is made after June 30th, 2014.

REVENUE ANALYSIS DETAIL

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 change in property tax refunds paid by the state.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Neutral

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

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

