

PROPERTY TAX

TIF districts located outside the metro five year pooling rule extension to ten years establishment

April 30, 2020

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue

Analysis of H.F. 3876 (Petersburg) as proposed to be amended by H3876A2

Fund Impact

	FY2020	FY2021	FY2022	FY2023
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Temporary Use of Increment Authorized (Section 1)

Under current law, there are a number of restrictions on how tax increment financing (TIF) authorities can spend any tax increment generated by a TIF district.

The proposal allows unobligated increment to be transferred from the authority to the municipality's general fund. The municipality would be able to use transferred increments for any purpose the municipality's general fund permits. The maximum transfer amount would be the excess increment remaining after the required payments of obligations that would come due in the six months following the transfer. This section would be effective the day following enactment and applies to unobligated increments from any district, regardless of when the request for certification was made. The authority to transfer increments would expire on December 31, 2021.

Extension of Five-Year Rule for Certain TIF Districts (Section 2)

The five-year rule essentially requires development activity for a TIF district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The proposal would extend the five-year rule to ten years for redevelopment districts located outside the defined metropolitan area that are certified after June 30, 2020.

Temporary Use of Special Tax Revenues Authorized (Section 3)

The proposal allows the use of local sales tax revenues for municipal purposes other than originally intended. The local sales and use taxes include local transportation taxes, local general taxes imposed by special law, and local selective taxes imposed by special law.

The amount available for other uses is limited to excess revenues and a municipal spending plan is required. The spending plan requires public notice and approval at a public hearing. The proposal

could delay the date by which some local taxes expire.

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.
- The proposed changes to the use of special tax revenues would have no impact on state taxes.

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

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