HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 337   **DATE:** March 9, 2011
      Version: As amended by author's amendment (H0337A1)

      Authors: Lenczewski

      Subject: Tax Increment Financing (TIF) - excluding county levies

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Overview

This bill eliminates the ability of cities to use TIF to capture county taxes to pay for development costs. The amount of increment attributed to the county tax rate would be distributed to the county under the author's amendment, rather than to the development authority. Counties' authority to require TIF districts to pay for county road costs and the requirement to provide counties with advance notice of TIF plans is also eliminated.

1   **Notice and comment on TIF plans.** Eliminates counties from the statutory requirement to receive notice of a proposed TIF plan and its fiscal implications prior to the city's adoption of the plan, since section 4 prohibits cities and development authorities from using TIF to capture county taxes.

      Effective date: Districts for which the request for certification is made after June 30, 2011.

2   **County road costs.** Eliminates the authority to spend increments for county road costs under the provisions of section 469.175, subdivision 1a, which is repealed by section 6.

      Effective date: Districts for which the request for certification is made after June 30, 2011.

3   **Arbitration of disputes over county costs.** Eliminates the authority to arbitrate disputes over the amounts or the eligibility of the county to require a TIF district to pay for county road costs created by a TIF development. This authority is repealed by section 6.

      Effective date: Districts for which the request for certification is made after June 30, 2011.

4   **Original local tax rate.** Provides the county tax rate will be excluded from computing the amount of tax increments. This provision does not apply to a TIF district if a county is the approving municipality.

      Effective date: Districts for which the request for certification is made after June 30, 2011.

5   **Distribution of excess taxes.** [Added by author's H0337A1 amendment.] Provides that the portion of taxes paid by TIF captured tax capacity attributable to the county tax rate will be paid by the county treasurer to the county, rather than to the development authority for TIF districts that are subject to section 4. These taxes will be excluded from the computation of the amount of excess taxes (resulting

from increases in the tax rates after adoption of the TIF district), which will be distributed to the city and school district.

Effective date: Districts for which the request for certification is made after June 30, 2011.

6   **Repealer.** Repeals the authority of a county to require the development authority to use TIF revenues to pay for the cost of county road improvements, the need for which was generated by the TIF development and repeals the prohibition on creating TIF districts that are in more than one county.

Effective date: Districts for which the request for certification is made after June 30, 2011.