

# TIF Division Newsletter



## Inside this issue:

|  |   |
|--|---|
| TIF Plans, Forms, & First Receipt of Increment | 1 |
| “Excess TIF” is <u>Not</u> Tax Increment       | 2 |
| Timely TIF Plan Filing Avoids Problems         | 3 |

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## TIF Plans, Forms, & First Receipt of Increment

When drafting a TIF plan or communicating its content to the county or the Office of the State Auditor (OSA), there are potential pitfalls to avoid regarding duration language and whether or not the election to delay first receipt of increment is being used.

Most TIF plans include both the year in which first receipt of tax increment is expected and the corresponding decertification year for the maximum duration. Once the district has been approved, the actual year of first receipt of tax increment (and therefore the duration limit) can differ from expectations. Therefore, authorities sometimes elect to use a provision that allows them to specify the year for first receipt of increment. (For more information about this provision, see the OSA’s Statement of Position on [Election to Delay Receipt of First TIF Revenues](#).)

The following examples of TIF plan language illustrate issues to keep in mind.

### Examples:

- A. “The City elects, pursuant to M.S. §469.175, subd. 1(b), to receive first distribution of tax increment in 2020.”

Example A is a very clear example of TIF plan language for making the election. However, not all authorities remember to identify the election on TIF Plan Collection Forms sent to the OSA or Certification Request Supplements sent to the county, and it may get missed.

- B. “The City expects to receive first increment in 2019 and elects to have the first collection year be 2019.

Example B is less explicit but does elect a year for first receipt of increment. Authorities, however, sometimes mark “No” on the forms for the questions asking about the existence of an election to delay first increment. Perhaps some do so because the elected year matches the expected year and they do not see it as a delay. Although commonly referred to as an “election to delay” provision, the delay aspect is not important when communicating its use.

- C. “The City will receive increment beginning in 2019.”

Example C would likely not hold up as an election. It may be perceived as an estimate or expectation and would be a poor choice of wording if intended to be an actual election to receive first increment in 2019.

**TIF Videos**

TIF Videos are available on the State Auditor’s website. Educational topics include:

[The History of TIF and Why It Matters](#)

[Introduction to Tax Increment Financing](#)

[TIF District Types](#)

[TIF Pooling](#)

[Excess Increments vs. Excess Taxes](#)

Instructional videos include:

[Instructions for Completing the TIF Plan Collection Form for New Districts](#)

[Instructions for Completing the TIF Plan Collection Form for Modified Districts](#)

[Instructions for Completing the TIF Annual Reporting Form](#)

[Instructions for Completing the Pooled Debt Form](#)

**“Excess TIF” Is Not Tax Increment**

On tax settlement reports (as in the sample below), counties might identify “excess TIF” or some similar term. This likely refers to distributions of “excess taxes,” or could possibly refer to redistributions of returned “excess increment” or other returned tax increment. These amounts are not tax increment and should not be reported as such.

Excess taxes are generated in the course of tax increment computations but are not tax increments. They are generated when the local tax rate exceeds the original local tax rate of a TIF district. The tax generated by the difference in these rates is “excess tax”. TIF law excludes it from tax increment under the idea that increment should be generated by growth in value, not increases in tax rates. The county auditor distributes excess taxes to the county, municipality, and/or school district based on which jurisdiction(s) caused the excess. These amounts are general tax dollars over and above what the jurisdiction levied.

Generally, “excess increments” are tax increments that exceed costs authorized in the TIF plan. They are calculated each year on the TIF Annual Reporting Form. Excess increments must generally be returned by September 30 of the following year to the county auditor, who redistributes them to the county, municipality and school district in proportion to their tax rates. The redistributions are no longer tax increment and become general tax dollars over and above what the jurisdiction levied.

Tax increment may also be returned for other reasons (as unneeded, “surplus” increment, or as violation repayments), and such redistributions also become general tax dollars over and above what was levied.

When completing TIF Annual Reporting Forms, do not include these amounts as increment. Also, ignore amounts labeled as “TIF enforcement deductions” or “state TIF admin fees.” These labels refer to amounts deducted from distributions and sent to the State for OSA oversight. (**Note:** Do include credit distributions labeled as “TIF” as TIF credit revenues on reporting forms, except those labeled as excess TIF credits.)

**Sample tax settlement report (formats vary):**

|                        | MAY      | OCT    |
|------------------------|----------|--------|
| 2015                   |          |        |
| TIF Tax Payments       | 1,346.93 | 600.11 |
| Excess TIF             | 43.09-   | 19.20- |
| State TIF Admin Fee    | 4.69-    | 2.09-  |
| Tac Cr TIF Distributed | 78.80    | 78.80  |
| Excess TIF Tac credit  | 5.04-    | 5.04-  |
| Totals . . . . .       | 1,372.91 | 652.58 |
| ****                   |          |        |
| TIF district total     | 1,372.91 | 652.58 |

**Statements of Position**

TIF Statements of Position can be accessed by going to our website at:

[www.auditor.state.mn.us](http://www.auditor.state.mn.us)

At the top of the page, choose “For Local Officials” then click “Statements of Position”

**Timely TIF Plan Filing Avoids Problems**

As authorities were submitting their TIF Annual Reporting Forms by the August 1st deadline, we also received an influx of TIF Plan filings. Some of these filings were overdue. Others were submitted with old versions of the TIF Plan Collection Form (perhaps because filing was delayed), and this caused processing problems.

The TIF Act requires authorities to file a copy of all new and modified TIF plans with the OSA and the Commissioner of Revenue within 60 days after the latest of:

1. The filing of the request for certification of the district;
2. Approval of the plan by the municipality; or
3. Adoption of the plan by the authority.

Authorities should be sure to use the current version of the TIF plan forms that can be downloaded via the [State Auditor Form Entry System](#) (SAFES) and should be sure to file new and modified TIF plans within the required time frame.

The filing of the TIF plan with the OSA triggers the generation of the annual reporting form for the district. Failure to submit timely and accurate annual reports can result in suspension of distribution of tax increment.

Plans should be filed via [SAFES](#). If you have questions, please call 651-296-4716 or e-mail us at [TIF@osa.state.mn.us](mailto:TIF@osa.state.mn.us).

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