

TAX INCREMENT FINANCING

LEGAL COMPLIANCE MANUAL

TAX INCREMENT FINANCING

Introduction

Tax increment financing (TIF) is a financing tool to promote economic development, redevelopment, and housing in areas of the state where it would not otherwise occur. A TIF authority may be a city, county, or an entity created by a city or county, such as a housing and redevelopment authority (HRA) or economic development authority (EDA). The TIF authority creates, and the municipality approves, the establishment of the TIF district. The county certifies a TIF district, a geographic area where new development, redevelopment, or housing would not occur “but-for” the use of tax increment.

The authority captures the property tax revenues generated by the increase in net tax capacity resulting from the new development and uses this increase in property tax revenues, i.e., the tax increments, to finance qualifying expenditures related to the new development. These qualifying expenditures generally relate to acquisition, clean up, and preparation of the site for construction. Each TIF district has a term of years depending on the type of public assistance provided to the site. Once the costs are paid and the TIF district is decertified, the property taxes are distributed to the county, city, and school district for financing local services.

Minn. Stat. Section	TAX INCREMENT FINANCING	Yes	No	Workpaper Reference
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Part I. Segregation

§ 469.177, subd. 5	For districts with Certification Request Dates (CRDs) after July 31, 1979: Has the authority segregated all tax increment received from this district in a special account (or accounts) on its official books and records or is the segregated tax increment held by a trustee (or trustees) for the benefit of bondholders as established by resolution?			
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Part II. Decertification Process

§ 469.177, subd. 12	A. Did the authority decertify this TIF district upon the happening of the earlier of the following:			
§ 469.176, subd. 1	1. the duration of the TIF district, as provided in the TIF plan, has terminated;			
	2. the payment of bonds and interest (including escrowed revenues) from TIF district revenue has been discharged, subject to statutorily defined durational limitations of the district;			
§ 469.176, subd. 1b-1g	3. the statutory durational limit of tax increment to be paid to the authority for the TIF district has terminated; or			
§ 469.1763, subd. 4	4. beginning in the sixth year following certification of a post – 1990 TIF district, sufficient tax increment revenues are available to pay, defease, or set aside for outstanding bonds and binding contracts entered into within five years of the certification of the district?			
	B. Did the authority file its confirmation of decertified TIF district form with its county auditor?			
	C. Did the TIF authority not receive any tax increment revenues from the TIF district following decertification by the county auditor?			
§ 469.176, subd. 1c	D. Pre-1979 TIF Districts			
	For TIF districts with certification request dates (CDRs) prior to August 1, 1979, has no tax increment been paid to an authority after August 1, 2009?			

Part III. Interfund Loan Resolutions/Tax Increment Revenues

§ 469.178, subd. 7	A. Did the authority have an interfund loan resolution in place for advances from the general fund or any other fund to finance TIF eligible expenditures? (effective 2001)			
§ 469.174, subd. 25	B. Did the authority include interest or other investment earnings on or from tax increments as tax increment revenues?			
§ 469.174, subd. 25	C. Did the authority include market value homestead credit paid to the authority under § 273.1384 as tax increment revenues?			

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Part IV. Four-Year Knock Down				
§ 469.176, subd. 6	<p>If, after four years from the date of certification of the original net tax capacity no demolition, rehabilitation, or renovation of property or other site preparation has been commenced, was the original net tax capacity of othat parcel excluded from the original net tax capacity of othe TIF district?</p> <p>(Evidence of activity must be reported to the county auditor by February 1 of the fifth year.)</p>			