

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
Part I. Segregation/Tax Increment Revenues					
§ 469.174, subd. 2	Tax increment includes:				
	1.	Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under section 469.117;			
	2.	Interest or other investment earnings on or from tax increments received after July 1, 1997;			
	3.	The proceeds from the sale or lease of property, tangible or intangible to the extent to property was purchased by the authority with tax increments after June 30, 1997;			
	4.	Principal and interest received on loans or other advances made by the authority with tax increments after June 30, 1997;			
	5.	Repayments or return of tax increment to the authority under agreements for districts for which the request for certification was made after August 1, 1993; and			
	6.	Market value homestead credit paid to the authority under section 273.1384.			
§ 469.177, subd. 5	Did the authority segregate tax increment 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 for the benefit of bondholders as established by resolution?				
Part II. Interfund Loans					
§ 469.178, subd. 7	For interfund loans made after July 31, 2001, to finance TIF eligible expenditures, was the loan or advance authorized by resolution before the money was transferred, advanced, or spent, whichever is earliest?				
§ 469.178, subd. 7	Are the terms and conditions for repayment of the loan in writing, and do they include, at a minimum, the principal amount, the interest rate, and the maximum term?				
§ 469.178, subd. 7	Does the interest rate on the loan or advance not exceed the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance was authorized?				
§ 469.178, subd. 7	(An authority or municipality may advance or loan money to finance TIF expenditures from "its General Fund or any fund under which it has legal authority to do so.")				
Part III. Four-Year Knock Down					
§ 469.176, subd. 6	If, after four years from the date of certification of the original net tax capacity of the district, no demolition, rehabilitation, or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer and water systems, has commenced on a parcel in the district, was that parcel excluded from the original net tax capacity of the district?				
	(The TIF authority must submit to the county auditor, by February 1 of the fifth year following the year in which the parcel was certified, evidence that the required activity has taken place on each parcel in the district.)				
Part IV. Decertification					
§ 469.177, subd. 12	A.	Was this TIF district decertified when the earliest of the following times was reached:			
	1.	The statutory maximum duration limit under section 469.176, subdivisions 1.b. to 1.g.;			
§ 469.176, subd. 1	2.	The maximum duration limit as provided in the TIF plan;			

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§ 469.176, subd. 1	3.	Sufficient funds have been irrevocably deposited for all outstanding bonds to which tax increment from the district is pledged, to provide for the payment of bond principal and interest to maturity or date of redemption;			
§ 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 to pay outstanding bonds and binding contracts entered into within five years of the certification of the district?			
	B	Did the authority file a confirmation of decertified TIF district form with its county auditor?			
	C.	Did the TIF authority not receive any tax increment revenues from the county auditor following decertification of the district?			
§ 469.176, subd. 1c	D.	For TIF districts with certification request dates prior to August 1, 1979, has no tax increment been paid to the authority after August 1, 2009?			