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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-SIXTH  
SESSION

**HOUSE FILE No. 2331**

April 17, 2009

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to tax increment financing; modifying the plan and reporting  
1.3 requirements; clarifying the definition of administrative expenses; modifying  
1.4 the interfund loan requirement; amending Minnesota Statutes 2008, sections  
1.5 469.175, subdivisions 1, 6; 469.176, subdivision 3; 469.178, subdivision 7.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2008, section 469.175, subdivision 1, is amended to read:

1.8 Subdivision 1. **Tax increment financing plan.** (a) A tax increment financing plan  
1.9 shall contain:

1.10 (1) a statement of objectives of an authority for the improvement of a project;

1.11 (2) a statement as to ~~the development program for the project, including~~ the property  
1.12 within the project, if any, that the authority intends to acquire, identified by parcel number,  
1.13 identifiable property name, block, or other appropriate means indicating the area in which  
1.14 the authority intends to acquire properties;

1.15 (3) a list of any development activities that the plan proposes to take place within  
1.16 the project, ~~for which contracts have been entered into at the time of the preparation of~~  
1.17 ~~the plan~~, including the names of the parties to the contract, the activity governed by the  
1.18 contract, the estimated cost stated in the contract, and the expected date of completion  
1.19 of that activity;

1.20 ~~(4) identification or description of the type of any other specific development~~  
1.21 ~~reasonably expected to take place within the project, and the date when the development is~~  
1.22 ~~likely to occur;~~

1.23 ~~(5)~~ (4) estimates of the following:

1.24 (i) cost of the project, including administrative expenses, ~~except that if part of the~~  
1.25 ~~cost of the project is paid or financed with increment from the tax increment financing~~

2.1 ~~district, the tax increment financing plan for the district must contain an estimate of the~~  
 2.2 ~~amount of the cost of the project, including administrative expenses, and interest costs that~~  
 2.3 ~~will be paid or financed with tax increments from the district;~~

2.4 (ii) amount of ~~bonded indebtedness to be incurred~~ bonds to be issued;

2.5 ~~(iii) sources of revenue to finance or otherwise pay public costs;~~

2.6 ~~(iv)~~ (iii) the ~~most recent~~ original net tax capacity of taxable real property within the  
 2.7 tax increment financing district and within any subdistrict;

2.8 ~~(v)~~ (iv) the estimated captured net tax capacity of the tax increment financing district  
 2.9 at completion;

2.10 (v) the total authorized costs to be paid with tax increments, but not to exceed the  
 2.11 estimated tax increments to be generated by the development activity; and

2.12 (vi) the duration of the tax increment financing district's and any subdistrict's  
 2.13 existence;

2.14 (6) statements of the authority's alternate estimates of the impact of tax increment  
 2.15 financing on the net tax capacities of all taxing jurisdictions in which the tax increment  
 2.16 financing district is located in whole or in part. For purposes of one statement, the  
 2.17 authority shall assume that the estimated captured net tax capacity would be available to  
 2.18 the taxing jurisdictions without creation of the district, and for purposes of the second  
 2.19 statement, the authority shall assume that none of the estimated captured net tax capacity  
 2.20 would be available to the taxing jurisdictions without creation of the district or subdistrict;

2.21 (7) identification and description of studies and analyses used to make the  
 2.22 determination set forth in subdivision 3, clause (2); and

2.23 (8) identification of all parcels to be included in the district or any subdistrict.

2.24 (b) The authority may specify in the tax increment financing plan the first year in  
 2.25 which it elects to receive increment, up to four years following the year of approval of the  
 2.26 district. This paragraph does not apply to an economic development district.

2.27 **EFFECTIVE DATE.** This section is effective for tax increment financing plans  
 2.28 approved after June 30, 2009.

2.29 Sec. 2. Minnesota Statutes 2008, section 469.175, subdivision 6, is amended to read:

2.30 Subd. 6. **Annual financial reporting.** (a) The state auditor shall develop a uniform  
 2.31 system of accounting and financial reporting for tax increment financing districts. The  
 2.32 system of accounting and financial reporting shall, as nearly as possible:

2.33 (1) provide for full disclosure of the sources and uses of ~~public funds in~~ tax  
 2.34 increments of the district;

3.1 (2) permit comparison and reconciliation with the affected local government's  
3.2 accounts and financial reports;

3.3 (3) permit auditing of the funds expended on behalf of a district, including a single  
3.4 district that is part of a multidistrict project or that is funded in part or whole through  
3.5 the use of a development account funded with tax increments from other districts or  
3.6 with other public money;

3.7 (4) be consistent with generally accepted accounting principles.

3.8 (b) The authority must annually submit to the state auditor a financial report  
3.9 in compliance with paragraph (a). Copies of the report must also be provided to the  
3.10 county auditor and to the governing body of the municipality, if the authority is not  
3.11 the municipality. To the extent necessary to permit compliance with the requirement  
3.12 of financial reporting, the county and any other appropriate local government unit or  
3.13 private entity must provide the necessary records or information to the authority or the  
3.14 state auditor as provided by the system of accounting and financial reporting developed  
3.15 pursuant to paragraph (a). The authority must submit the annual report for a year on or  
3.16 before August 1 of the next year.

3.17 (c) The annual financial report must also include the following items:

3.18 (1) the original net tax capacity of the district and any subdistrict under section  
3.19 469.177, subdivision 1;

3.20 (2) the net tax capacity for the reporting period of the district and any subdistrict;

3.21 (3) the captured net tax capacity of the district;

3.22 (4) any fiscal disparity deduction from the captured net tax capacity under section  
3.23 469.177, subdivision 3;

3.24 (5) the captured net tax capacity retained for tax increment financing under section  
3.25 469.177, subdivision 2, paragraph (a), clause (1);

3.26 (6) any captured net tax capacity distributed among affected taxing districts under  
3.27 section 469.177, subdivision 2, paragraph (a), clause (2);

3.28 (7) the type of district;

3.29 (8) the date the municipality approved the tax increment financing plan and the  
3.30 date of approval of any modification of the tax increment financing plan, the approval of  
3.31 which requires notice, discussion, a public hearing, and findings under subdivision 4,  
3.32 paragraph (a);

3.33 (9) the date the authority first requested certification of the original net tax capacity  
3.34 of the district and the date of the request for certification regarding any parcel added  
3.35 to the district;

4.1 (10) the date the county auditor first certified the original net tax capacity of the  
 4.2 district and the date of certification of the original net tax capacity of any parcel added  
 4.3 to the district;

4.4 (11) the month and year in which the authority has received or anticipates it will  
 4.5 receive the first increment from the district;

4.6 (12) the date the district must be decertified;

4.7 (13) for the reporting period and prior years of the district, the actual amount  
 4.8 received from, at least, the following categories:

4.9 (i) tax increments paid by the captured net tax capacity retained for tax increment  
 4.10 financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding  
 4.11 any excess taxes;

4.12 (ii) tax increments that are interest or other investment earnings on or from tax  
 4.13 increments;

4.14 (iii) tax increments that are proceeds from the sale or lease of property, tangible or  
 4.15 intangible, purchased by the authority with tax increments;

4.16 (iv) tax increments that are repayments of loans or other advances made by the  
 4.17 authority with tax increments;

4.18 (v) bond ~~or loan~~ proceeds; and

4.19 ~~(vi) special assessments;~~

4.20 ~~(vii) grants;~~

4.21 ~~(viii) transfers from funds not exclusively associated with the district; and~~

4.22 ~~(ix) (vi) the market value homestead credit paid to the authority under section~~  
 4.23 ~~273.1384;~~

4.24 (14) for the reporting period and for the prior years of the district, the actual amount  
 4.25 expended for, at least, the following categories:

4.26 (i) acquisition of land and buildings through condemnation or purchase;

4.27 (ii) site improvements or preparation costs;

4.28 (iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or  
 4.29 other similar public improvements;

4.30 (iv) administrative costs, including the allocated cost of the authority; and

4.31 ~~(v) public park facilities, facilities for social, recreational, or conference purposes, or~~  
 4.32 ~~other similar public improvements; and~~ for housing districts, construction of affordable  
 4.33 housing;

4.34 ~~(vi) transfers to funds not exclusively associated with the district;~~

4.35 (15) the amount of any payments for activities and improvements located outside of  
 4.36 the district that are paid for or financed with tax increments;

5.1 (16) the amount of payments of principal and interest that are made during the  
5.2 reporting period on any nondefeased:

5.3 (i) general obligation tax increment financing bonds; and

5.4 (ii) other tax increment financing bonds, including pay-as-you-go contracts and  
5.5 notes; and

5.6 ~~(iii) notes and pay-as-you-go contracts;~~

5.7 (17) the principal amount, at the end of the reporting period, of any nondefeased:

5.8 (i) general obligation tax increment financing bonds; and

5.9 (ii) other tax increment financing bonds, including pay-as-you-go contracts and  
5.10 notes; and

5.11 ~~(iii) notes and pay-as-you-go contracts;~~

5.12 (18) the amount of principal and interest payments that are due for the current  
5.13 calendar year on any nondefeased:

5.14 (i) general obligation tax increment financing bonds; and

5.15 (ii) other tax increment financing bonds, including pay-as-you-go contracts and  
5.16 notes; and

5.17 ~~(iii) notes and pay-as-you-go contracts;~~

5.18 (19) if the fiscal disparities contribution under chapter 276A or 473F for the district  
5.19 is computed under section 469.177, subdivision 3, paragraph (a), the amount of total  
5.20 increased property taxes imposed on other properties in the municipality that approved the  
5.21 tax increment financing plan as a result of the fiscal disparities contribution; to be paid  
5.22 from outside the tax increment financing district; and

5.23 ~~(20) the estimate, if any, contained in the tax increment financing plan of the amount~~  
5.24 ~~of the cost of the project, including administrative expenses, that will be paid or financed~~  
5.25 ~~with tax increment; and~~

5.26 ~~(21) (20) any additional information the state auditor may require.~~

5.27 ~~(d) The commissioner of revenue shall prescribe the method of calculating the~~  
5.28 ~~increased property taxes under paragraph (c), clause (19), and the form of the statement~~  
5.29 ~~disclosing this information on the annual statement under subdivision 5.~~

5.30 ~~(e)~~ (d) The reporting requirements imposed by this subdivision apply to districts  
5.31 certified before, on, and after August 1, 1979.

5.32 **EFFECTIVE DATE.** This section is effective for tax increment financing reports  
5.33 due after December 31, 2009.

5.34 Sec. 3. Minnesota Statutes 2008, section 469.176, subdivision 3, is amended to read:

5.35 Subd. 3. **Limitation on administrative expenses.**

6.1 (a) For districts for which certification was requested before August 1, 1979, or after  
 6.2 June 30, 1982 and before August 1, 2001, no tax increment shall be used to pay any  
 6.3 administrative expenses for a project which exceed ten percent of the total estimated tax  
 6.4 increment expenditures authorized by the tax increment financing plan or the total tax  
 6.5 increment expenditures for the project, whichever is less.

6.6 (b) For districts for which certification was requested after July 31, 1979, and before  
 6.7 July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in  
 6.8 Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the  
 6.9 total tax increment expenditures authorized by the tax increment financing plan or the total  
 6.10 estimated tax increment expenditures for the district, whichever is less.

6.11 (c) For districts for which certification was requested after July 31, 2001, no tax  
 6.12 increment may be used to pay any administrative expenses for a project which exceed  
 6.13 ten percent of total estimated tax increment expenditures authorized by the tax increment  
 6.14 financing plan or the total tax increments, as defined in section 469.174, subdivision 25,  
 6.15 clause (1), from the district, whichever is less.

6.16 (d) Increments used to pay the county's administrative expenses under subdivision  
 6.17 4h are not subject to the percentage limits in this subdivision.

6.18 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when  
 6.19 the request for certification was made.

6.20 Sec. 4. Minnesota Statutes 2008, section 469.178, subdivision 7, is amended to read:

6.21 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan  
 6.22 money to finance expenditures under section 469.176, subdivision 4, from its general  
 6.23 fund or any other fund under which it has legal authority to do so. The loan or advance  
 6.24 must be authorized, by resolution of the governing body or of the authority, whichever  
 6.25 has jurisdiction over the fund from which the advance or loan is ~~made~~ authorized, before  
 6.26 money is transferred, advanced, or spent, whichever is earliest. The resolution may  
 6.27 generally grant to the authority the power to make interfund loans under one or more  
 6.28 tax increment financing plans or for one or more districts. The terms and conditions  
 6.29 for repayment of the loan must be provided in writing and include, at a minimum, the  
 6.30 principal amount, the interest rate, and maximum term. The maximum rate of interest  
 6.31 permitted to be charged is limited to the greater of the rates specified under section  
 6.32 270C.40 or 549.09 as of the date the loan or advance is made, unless the written agreement  
 6.33 states that the maximum interest rate will fluctuate as the interest rates specified under  
 6.34 section 270C.40 or 549.09 are from time to time adjusted.

7.1 **EFFECTIVE DATE.** This section is effective for interfund loans made after June  
7.2 30, 2009.