Office of the State Auditor **March 2015**

TIF Division Newsletter

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Office of the State Auditor
Tax Increment Financing Division
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2015 SAFES Authorization Reminder

All TIF reports and TIF plans must be submitted to the OSA using the State Auditor's Form Entry System (SAFES). If a development authority uses an auditor or consultant to submit their TIF reports or plans, a current SAFES User Authorization Form must be on file with the OSA.

A user's authorization expires at the end of each calendar year or earlier if a shorter duration is provided. Make sure your consultant or auditor has been authorized for 2015. The form must be completed and signed by both the development authority and the auditor or consultant. Please contact us at TIF@osa.state.mn.us or at (651) 296-4716 with any questions.

Excess Increments vs. Excess Taxes

The terms "excess increments" and "excess taxes" are sometimes confused. It is important to understand that these terms have different meanings and are treated differently.

Generally, "excess increments" are those that exceed the amount needed to pay the costs authorized in the TIF plan. Excess increments are calculated each year on the TIF Annual Reporting Form in a manner that recognizes costs paid by other sources, obligations due in following years, and transfers under special deficit authority. Excess increments must be returned to the county or used for qualifying purposes by September 30 of the following year. Qualifying purposes include prepaying outstanding bonds, deposit in an escrow account for bond payments, and pooling under special deficit authority.

When a district has more increment than it needs to pay actual costs, but less than what the TIF plan authorized for costs, the "extra" increments (up to the authorized costs) are sometimes called excess increment but are not excess increments by the statutory meaning of the term. A better term, used by some observers, might be "surplus increment."

continued

TIF Videos

TIF Videos are available on the State Auditor's website. The videos cover educational and instructional topics, including:

The History of TIF and Why It Matters

Introduction to Tax Increment Financing

TIF District Types

TIF Pooling

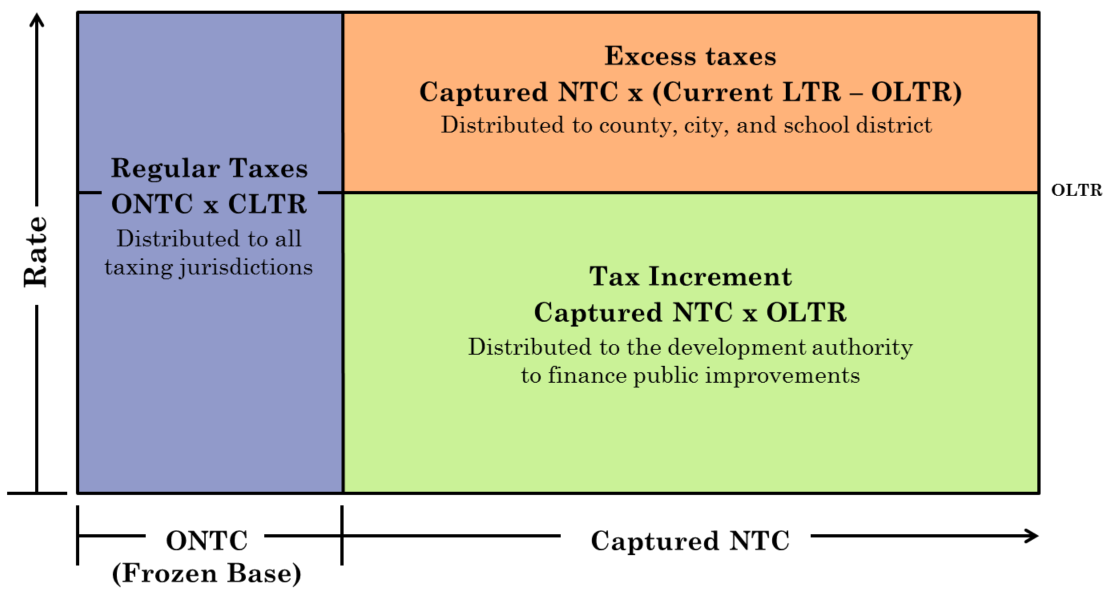
Excess Increments Vs. Excess Taxes

Instructions for Completing the TIF Plan Collection Form for New Districts

Instructions for Completing the TIF Plan Collection Form for Modified Districts

Excess Increments vs. Excess Taxes (continued)

"Excess taxes" are not tax increments. They are created when the local tax rate (LTR) exceeds the certified original local tax rate (OLTR) of a TIF district. These taxes were excluded from increment under the idea that increment should be generated by growth in value, not increases in tax rates. The additional taxes raised by multiplying the captured net tax capacity (NTC) by the current LTR compared to the amount that would be generated by the OLTR, are excess taxes. Excess taxes must be distributed by the county auditor to the municipality, county and school district. The table below helps to explain excess taxes. (ONTC stands for original net tax capacity.)



For more information please see our new online training video Excess Increments Vs. Excess Taxes.

TIF Division Staff

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