TIF Division Newsletter

This Newsletter contains answers to frequently asked questions concerning TIF Plan Reporting Forms (Special Reporting Forms). The Special Reporting Forms are to be submitted to the Office of the State Auditor (OSA) no later than June 10, 2011. Additional help on completing the form is available in the on-line training entitled, Completing the TIF Plan Reporting Form (Special Reporting Form), on the State Auditor's website.

What if I have a consultant complete my TIF forms?

If your development authority has authorized an auditor or consultant to submit your TIF Reporting Forms, remember that the authorization is valid only through the end of the calendar year. A new authorization form is required each year. The form must be completed and signed by both the authority representative and the auditor or consultant and then submitted to our office.

Where exactly in SAFES is the Special Reporting Form located?

Log into the State Auditor's Form Entry System (SAFES). Click on the Form Status tab; click on 2010, and then click on the TIF tab (in the list of tabs under the year 2010). You should now be able to access the Special Reporting Form.

What is the purpose of the Special Reporting Form?

The Special Reporting Form is designed to collect information required by amendments made to the TIF Act by the 2009 Legislature. For a more complete explanation, see the OSA's Statement of Position, Tax Increment Plan and Reporting Form Changes.

What information is collected from the TIF Plan?

The Special Reporting Form collects three basic amounts from the TIF Plan. The Form collects: 1) the estimated amount of tax increment that will be generated over the life of the district; 2) the estimated amount of the expenditures that will be paid or financed with that tax increment; and, 3) since most of those expenditures will occur before the tax increment is generated, the estimated amount of bonds that will be issued.

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Why is there a separate category for estimated financing? We include the principal amount of a bond as a "cost of the project."

The "cost of the project" means those development activity costs, including administrative expenses, and interest as a financing cost, which will be paid or financed with tax increment from the district.[1]

The "total amount of bonds to be issued" identifies *how* the cost of the project will be financed.[2] The principal payments made from tax increment revenues on the bond re-pay the financing. Adding together the estimated cost of the project and the amount of bond principal payments can create the illusion that the cost is greater than it actually is.

Why are pay-as you-go (PAYG) notes listed under "estimated financing" instead of as proposed TIF expenditures?

A PAYG note is a method of financing tax increment costs. During a TIF audit, the OSA asks for invoices from the developer in an amount equal to the principal amount of the PAYG note. The TIF Act defines a PAYG note as a bond.[3]

When a TIF district is established, revenues from the county are traditionally the only tax increment revenues estimated. Why does the Special Reporting Form include market value homestead credit, sales/lease proceeds, and interest/investment earnings as tax increment revenues?

The TIF Act defines these sources, market value homestead credit, sales/lease proceeds, and interest/investment earnings, to the extent each is derived from tax increment, to be tax increment revenues.[4] Originally, estimates of tax increments in TIF plans included only estimates of tax increments from the county. Now, TIF plans, and specifically modifications of TIF plans, tend to include additional sources of tax increment revenues.

Does "construction of affordable housing" include new construction, rehabilitation and renovation? Does this category apply only to housing TIF districts?

"Construction of affordable housing" includes new construction, rehabilitation and renovation. Tax increment may be used to (i) acquire and prepare the site of housing, (ii) acquire, construct, or rehabilitate the housing, or (iii) make public improvements directly related to the housing.[5]

1 Minn. Stat. § 469.175, subd. 1 (5) (i).
2 Minn. Stat. § 469.175, subd. 1 (5) (ii).
3 Minn. Stat. § 469.174, subd. 3
4 Minn. Stat. §469.174, subd. 25.
5 Minn. Stat. §469.1763, subd. 2. The underlying development authority statutes also provide similar authority.

This category is not limited to housing TIF districts, even though most tax increment generated to pay for affordable housing costs comes from housing TIF districts.[6] Tax increments from redevelopment districts, soils condition districts, and economic development districts may also be used for certain housing purposes.[7] However, the election to use tax increment from these other districts for housing purposes must be stated in the TIF plan as a "cost of a project."

How should "local contributions" be reported?

Local contributions should not be reported.[8] Local contributions were made from unrestricted money of the authority or municipality. Local contributions could not be made, directly or indirectly, with tax increments or with developer payments. Because local contributions are not tax increment, they do not have to be reported on the Special Reporting Form.

Does separating "other public funds" from tax increment revenues in the TIF plan constitute a budget modification? Is official council action necessary?

No. The Special Reporting Form is a reporting form only and is not a TIF plan modification.

The 2009 TIF Act Amendments require only that the tax increment revenues and the expenditures paid or financed with tax increment be reported to the OSA—even though part of the development activity of the district may have been paid with other public funds.

For a TIF plan approved on or before June 30, 2009, the estimated plan expenditures can be greater than the estimated tax increment revenues to be generated by the district. The requirement that estimated tax increment expenditures must be less than the estimated tax increment to be generated by the district applies to TIF districts approved after June 30, 2009.

Could a sample Special Reporting Form be put on the OSA website so attorneys and advisers have a copy available when assisting clients?

A sample Special Reporting Form is now available on the State Auditor's website for discussion purposes.

6 Minn. Stat. §469.1761.
7 Minn. Stat. §469.1763, subd. 2(d).
8 Minn. Stat. § 273.1399, subd. 6 (repealed 2001).