Office of the State Auditor January 2014

TIF Division Newsletter

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Office of the State Auditor

Tax Increment Financing Division

525 Park Street, Suite 500

Saint Paul, MN 55103

(651) 296-4716

Fax: (651) 297-3689

TIF@osa.state.mn.us

www.auditor.state.mn.us

2013 TIF District Information from Counties

The 2013 TIF District Information Form for property taxes payable 2013 is posted on our website. An e-mail notification was sent to counties on Wednesday, January 8. Please e-mail, fax, or mail the completed form to our office by Friday, February 28. This annual information is needed by our office to prepare the 2013 TIF reporting forms. We appreciate the cooperation of counties in providing this information in a timely manner.

Verify SAFES Contact Information

Current SAFES users need to verify their contact information annually. Verification expires at the end of each calendar year. New users must update and verify their information the first time they log in. You will not be able to proceed in SAFES until you verify your contact information.

Your contact information is located in the Contacts screen, the first screen you see after you log in. After updating your contact information, click the verify button located on the bottom right of the screen. If you are having trouble accessing SAFES, please contact our office.

Consultant SAFES Access Has Been Reset

Authorization for access to the State Auditor's Form Entry System (SAFES) for all consultants and non-authority employees has expired. It expires at the end of each calendar year or earlier if a shorter duration is requested. New User Authorization Forms must be submitted starting in January each year. Please be sure that the new form you complete is dated for 2014 in order to have access to the system.

Employees of authorities will continue to have access to SAFES and do not need to submit a new form or contact us. However, if an employee of an authority does not have current access to SAFES, please contact our office.

The Six-Year Rule and Pooling

To understand how the Six-Year Rule affects pooling (the ability to spend increments on out-district costs), it is important to understand how the general pooling limitation, the Five-Year Rule, and the Six-Year Rule all interact.

The general pooling limitation requires that 75% or 80% (depending on the type of district) of increment be spent on in-district costs, allowing 20% or 25% to be spent outside the district.[1] By itself--without considering the Six-Year Rule--the general pooling limitation is viewed cumulatively over the life of the district. Generally, the Five-Year Rule designates obligations after the first five years as out-district costs (even if they are spent in the physical area of the district).[2] The Five- and Six-Year Rules work together to prevent obligations from expanding as more increment becomes available.

The Six-Year Rule has two parts. One part requires a district to decertify when obligations established under the Five-Year Rule have been met (meaning bonds are defeased and sufficient money has been set aside to pay the obligations).[3] The other part sets an *annual* pooling limitation. It provides that each year, beginning with the sixth year, the applicable in-district percent of tax increment revenues received from the county must be used and only used for in-district obligations.[4]

For example, assume that the authority expects to be able to pool a total of $250,000 (25% of the $1 million of projected increment) from a redevelopment district.[5] Assume $20,000 of increment is collected in the sixth year and that the authority has only spent $50,000 out-district so far. The authority wishes to spend $12,000 out-district in year six, which is well within the general pooling limit, but the general pooling limitation is not the only consideration. The Six-Year Rule annually limits 75% of each year's increment beginning in the sixth year ($15,000 in this example) to be spent only on in-district obligations. This means that only $5,000 of increment collected in the sixth year may be spent out-district. Unless the district had $7,000 available for pooling from a prior year, it cannot spend the $12,000 permitted by the general pooling limitation.

(continued)

[1] Minn. Stat. § 469.1763 subd. 2(a). Increment in this context refers to the taxes paid on the captured value, not any other sources of increment revenue.
[2] Minn. Stat. § 469.1763 subd. 3.
[3] A bond is legally "defeased" when all of the issuer's obligations related to payment of the bonds have been met. Generally, these obligations are in the documents authorizing the bonds.
[4] Minn. Stat. § 469.1763 subd. 4.
[5] Compliance with the pooling limit is determined at the end of the life of the district.

TIF recorded on-line training videos are now available!

The videos can be found on our website at:

www.auditor.state.mn.us

The recorded training videos will include: (1) an education series covering basic to complex TIF subjects; (2) an instruction series covering TIF reporting; and (3) a special topics series covering special issues related to TIF.

TIF Statements of Position can be accessed by going to our website at:

www.auditor.state.mn.us

At the top of the page, choose "For Local Officials" then click "Statements of Position"

It is important to note that when determining how much increment can be spent out-district, both the general pooling legislation and the Six-Year Rule apply.

For more information, please refer to our revised Statement of Position TIF Five-Year Rule and Six-Year Rule.

Important Notice: Windows XP and Office 2003

On April 8, 2014, Microsoft will no longer support the Windows XP operating system or any of the programs in its Office 2003 software suite, which includes Word 2003 and Excel 2003. Specifically, Microsoft will not offer bug or security fixes to users of these products from that date forward.

This lack of technical support will create a serious security issue for computers running Windows XP and/or Office 2003. Computer security experts believe that hackers are targeting that date to unleash a wide variety of malware, which can include computer viruses, "Trojan Horses," or "worms," which can invade a computer's system and cause serious damage.

It is important to note that because of the security issues that may occur due to the lack of technical support for Windows XP and Office 2003, the OSA's State Auditor's Form Entry System (SAFES) will no longer accept documents saved in the default file format created by Office 2003, which includes Excel files with the extension ".xls", after April 8, 2014.

The OSA strongly recommends that local government offices with computers running Windows XP, Office 2003, or any prior versions update their computers to a supported operating system and software before April 8, 2014.

More information on this issue is available on the Microsoft website.

TIF Division Staff

If you have questions, please contact us:

Jason Nord
Assistant State Auditor/TIF Director
(651) 296-7979
Jason.Nord@osa.state.mn.us

Kurt Mueller
TIF Auditor
(651) 297-3680
Kurt.Mueller@osa.state.mn.us

Robert Odell
TIF Administrator
(651) 296-4716
Robert.Odell@osa.state.mn.us

Barbara Lerschen
TIF Analyst
(651) 284-4134
Barbara.Lerschen@osa.state.mn.us

Lisa McGuire
TIF Auditor
(651) 296-9255
Lisa.McGuire@osa.state.mn.us