

2020 COUNTY TIF TRAINING

JULY 2021



© 2021 Office of the State Auditor

This educational resource is not legal advice and should not be relied upon in lieu of legal advice. Applicability of this content is subject to change at any time.

SECTION ONE

TIF Overview – How TIF Works



© 2021 Office of the State Auditor

TIF BASICS

- Tax Increment Financing (TIF) is a...
 - **Public financing tool** (businesses, economic development pros)
 - **Revenue type/fund** (finance officers, accountants)
 - **Property tax feature** (county auditors, taxing entities)
 - **Statutory program** (lawyers, administrators)
- Users are “TIF authorities”



© 2021 Office of the State Auditor

TIF AUTHORITIES

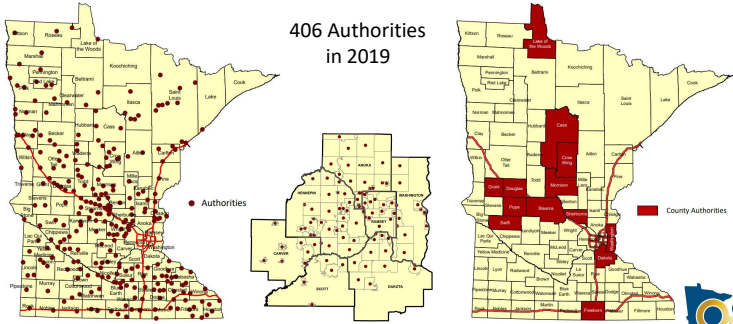
- Cities (*Minn. Stat. §§ 469.124-.133, 469.152-.165*)
- City Port Authorities (*Minn. Stat. §§ 469.048-.089*)
- City Economic Development Authorities (EDAs) (*Minn. Stat. §§ 469.090-.1082*)
- City Housing and Redevelopment Authorities (HRAs) (*Minn. Stat. §§ 469.001-.047*)
- County or Multi-County HRAs (*Minn. Stat. §§ 469.004-.008, 469.152-.165*)
- County Rural Development Finance Authorities (*Minn. Stat. §§ 469.142-.151*)
- Certain Metro Town(s) (*Minn. Stat. §§ 469.152-.165*)



© 2021 Office of the State Auditor

TIF AUTHORITIES

406 Authorities
in 2019



© 2021 Office of the State Auditor



TYPES OF TIF DISTRICTS

District Type	Maximum Duration	Districts (2019)		Revenue (2019)	
		Count*	%	\$ Millions	%
Redevelopment	26 years	752	46%	\$180.6	74%
Housing	26 years	542	33%	\$34.2	14%
Economic Development	9 years	304	18%	\$20.6	8%
Renewal & Renovation	16 years	27	2%	\$6.3	3%
Soils Condition	21 years	11	1%	\$0.3	<1%
Uncodified	--	11	1%	\$1.3	1%
Totals		1,648		\$243.2	
Hazardous Substance Subdistricts		22			

© 2021 Office of the State Auditor

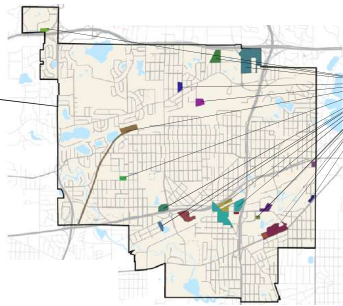
*Total includes one Pre-1979 district still reporting.



TIF DISTRICTS

Development Acts govern project areas

Broader activities than TIF-supported developments



TIF is used within TIF districts consisting of development parcels

There can be many TIF districts in the same project area

© 2021 Office of the State Auditor



TIF SPECIFICS AND MECHANICS

TIF is a financing tool where new value is captured so that the property taxes on this captured value are segregated as tax increments that are used to pay qualifying costs that enable the development to occur.

Current Land Use



Proposed Development



© 2021 Office of the State Auditor



TIF SPECIFICS AND MECHANICS

TIF is a **financing tool** where
 new value is captured so that
 the property taxes on this captured value
 are segregated as tax increments that
 are used to pay qualifying costs that
 enable the development to occur.

TIF is **NOT** a tax ...



Taxpayer pays full tax but incremental taxes finance costs



TIF SPECIFICS AND MECHANICS

TIF is a **financing tool** where
 new value is captured so that
 the property taxes on this captured value
 are segregated as tax increments that
 are used to pay qualifying costs that
 enable the development to occur.

- **Pay-As-You-Go (PAYG) Note** 64% of TIF Debt*
reimburse developer/owner/note-holder who bears the risk
- **General Obligation (GO) Bonds** 16% of TIF Debt*
municipality pledges taxing powers / bears the risk
- **Revenue Bonds** 6% of TIF Debt*
revenues are pledged / bondholders bear the risk
- **Interfund Loans** 12% of TIF Debt*
authority borrows internally from other districts/funds



TIF SPECIFICS AND MECHANICS

TIF is a **financing tool** where
new value is captured so that
 the property taxes on this captured value
 are segregated as tax increments that
 are used to pay qualifying costs that
 enable the development to occur.

Before Development



Taxable Market Value: \$ 200,000

Net Tax Capacity: \$ 3,250

After Development



Taxable Market Value: \$ 3,400,000

New (captured) Value: \$ 3,200,000

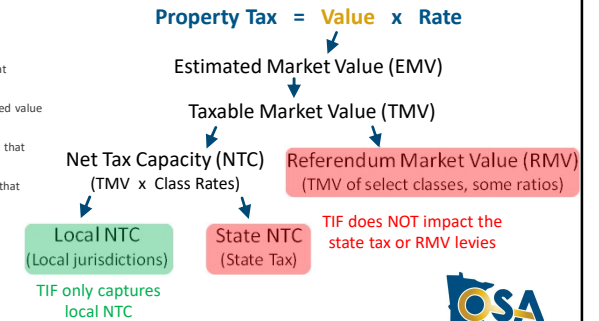
Net Tax Capacity: \$ 67,250

Captured Net Tax Capacity: \$ 64,000



TIF SPECIFICS AND MECHANICS

TIF is a **financing tool** where
new value is captured so that
 the property taxes on this captured value
 are segregated as tax increments that
 are used to pay qualifying costs that
 enable the development to occur.



TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the property taxes on this captured value are segregated as tax increments that are used to pay qualifying costs that enable the development to occur.

2020: District Created, County Auditor certifies the Original Net Tax Capacity (ONTC)	\$3,250
2021: No Development Yet But Value Growth Current NTC	\$3,400
Captured NTC (Current – ONTC)	\$150
2022: Development Complete Current NTC	\$67,250
Captured NTC (Current – ONTC)	\$64,000



TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the property taxes on this captured value are segregated as tax increments that are used to pay qualifying costs that enable the development to occur.

$$\text{Property Tax} = \text{Value} \times \text{Rate}$$

$$\text{Rate} = \text{Levy} / (\text{Value} - \text{Captured NTC})$$



TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the property taxes on this captured value are segregated as tax increments that are used to pay qualifying costs that enable the development to occur.

Example: \$900,000 Levy, \$3,064,000 Value, \$64,000 Captured NTC

Rate = Levy / (Value - Captured NTC)	
Rate	= \$900,000 / \$3,000,000 = 30.000 % ↑ Rate
Taxes	= 30.000 % x \$3,000,000 = \$900,000
Increment	= 30.000 % x \$64,000 = \$19,200 ↑ Taxes
Tax increments are in addition to levy	
Rate = Levy / Value	
Rate	= \$900,000 / \$3,064,000 = 29.373 %
Taxes	= 29.373 % x \$3,000,000 = \$881,190
Increment	= 29.373 % x \$64,000 = \$18,799
Tax increments would redirect taxes!	



TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the property taxes on this captured value are segregated as tax increments that are used to pay qualifying costs that enable the development to occur.

- Property Tax = Value x Rate - Credits**
- Credits reduce gross taxes
 - Reduce tax increments and regular taxes proportionately
 - DOR pays the TIF share of credits

DEPARTMENT OF REVENUE
Tax Increment Financing District Market Value Credits
To be paid on December 31st

County Name	District Code	District Name	Homestead Disaster Credit	Local Option Disaster Credit	Supp. Taxonite Homestead Credit	Disparity Reduction Credit	Agr. Homestead Credit	Prior Year Homestead Credit	Prior Year Other Credit	Negative Adj. for Prior Year Homestead Credit	Negative Adj. for Prior Year Other Credit
Big Stone	06-0803	186-083 CITY OF ORFONVILLE TP. 1-3 SCATTERED SITE DOWNTOWN REDEV	-	-	-	8,076.14	-	-	-	-	-
City	14-0700	923-044 Divert District 14	-	-	-	125,953.73	-	-	-	-	-
	14-1800	706-027 Central Corridor	-	-	-	550,008.85	-	-	-	-	-

TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the **property taxes** on this captured value are segregated as **tax increments** that are used to pay **qualifying costs** that **enable** the development to occur.


Before Development



Original NTC: \$ 3,250

Remains the tax base value

After Development



Captured NTC: \$ 64,000

NOT part of the tax base

for the district's duration




© 2021 Office of the State Auditor

TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the **property taxes** on this captured value are segregated as **tax increments** that are used to pay **qualifying costs** that **enable** the development to occur.

Tax Base




Original NTC: \$ 3,250

Taxes Levied:

City	\$ 1,520
County	\$ 1,505
School District	\$ 975
Others	\$ 225


Captured Value



Captured NTC: \$ 64,000

Tax Increment: \$ 83,200

(Does not support local levies for the duration of the district)



© 2021 Office of the State Auditor

TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the **property taxes** on this captured value are segregated as **tax increments** that are used to pay **qualifying costs** that **enable** the development to occur.

Current Land Use



Proposed Development



Qualifying Costs: acquisition, demolition, utilities, streets, etc.

Market failures:

- High costs to correct blight
- Market-rate vs. affordable construction
- Economic development?



© 2021 Office of the State Auditor


TIF SPECIFICS AND MECHANICS

TIF is a financing tool where **new value is captured** so that the **property taxes** on this captured value are segregated as **tax increments** that are used to pay **qualifying costs** that **enable** the development to occur.


Current Land Use



Proposed Development

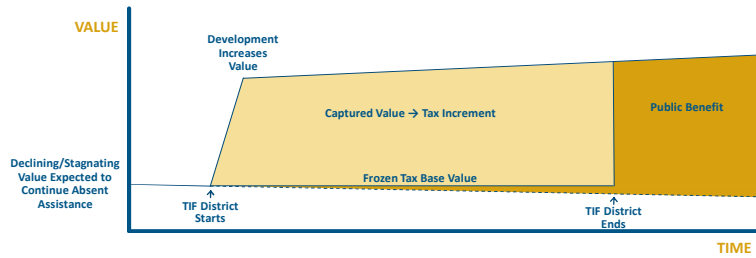


But for the use of TIF,
development would not occur



© 2021 Office of the State Auditor

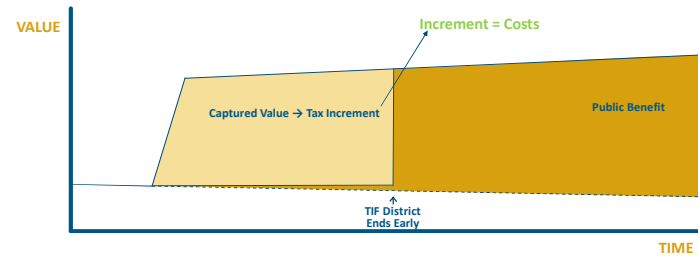
THE TIF CONCEPT



© 2021 Office of the State Auditor



EARLY DECERTIFICATION



© 2021 Office of the State Auditor



EARLY DECERTIFICATION

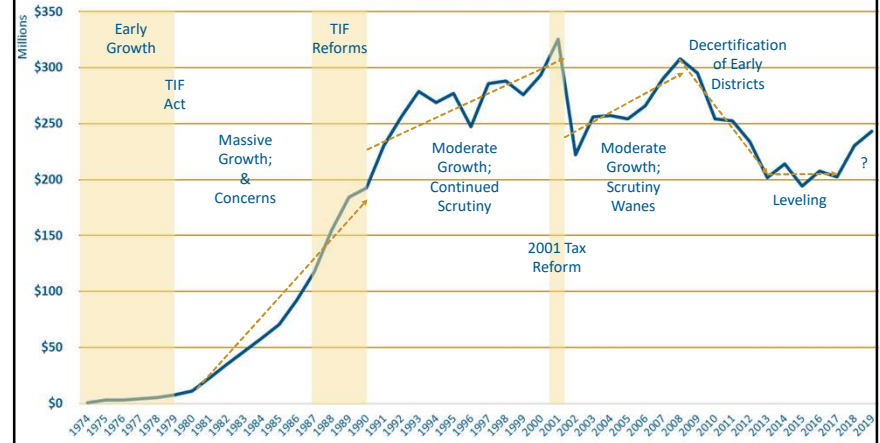
Full Duration vs. Early Decertification, 2015-2019

District Type (Max Duration)	Decertified Districts	Lasted Full Duration	Decertified Early	
			%	Average Years
Redevelopment (26 years)	225	37%	63%	10
Housing (26 years)	130	21%	79%	11
Economic Development (9 years)	115	70%	30%	4
Renewal & Renovation (16 years)	5	80%	20%	15
Soils Condition (21 years)	1	0%	100%	6

© 2021 Office of the State Auditor



Tax Increment 1974-2019



HISTORY

TIF Act Provisions	1988-1990 TIF Reforms	Other Changes
<ul style="list-style-type: none"> ■ But-For test ■ Excess increment ■ No enlargement after 5 years ■ Duration limits ■ TIF plan details ■ Limit on admin costs ■ Inactivity knock-down ■ Bonding provisions ■ Fiscal disparities methods ■ Acquisition restrictions 	<ul style="list-style-type: none"> ■ Pooling limits! (overall, 5-/6-yr rules) ■ Aid reductions ■ But-For test improved ■ Oversight by Dept. of Revenue ■ County to enforce knock-down ■ County costs paid from increment ■ No capture of school referenda levies ■ Econ Dev restrictions (no retail) ■ Redevelopment restrictions increased ■ Housing restrictions increased ■ Created Renewal & Renovation type ■ Created Soils Condition districts <i>(and more)</i> 	<ul style="list-style-type: none"> ■ Oversight to OSA (1995) ■ Aid cuts eliminated (2001) ■ Interfund loans (2001, 2017) ■ Excess increment calc (2003) ■ Increment definition (2005) ■ Error corrections (2008) ■ Reporting req's (2009) ■ Temp rule extensions (2009) ■ Jobs Bill spending plans (2010) ■ Workforce Housing (2017)

© 2021 Office of the State Auditor

SECTION TWO

Responding to Proposed TIF Districts

© 2021 Office of the State Auditor

CREATION PROCESS

```

    graph TD
      A[Authority Drafts a TIF Plan] --> B[Review / Comment by County and School District]
      B --> C[Notice and Public Hearing]
      C --> D[Municipality Approves TIF Plan]
      D --> E[Submit Plan & Form to OSA]
      E --> F[Request Certification of County Auditor]
      F --> G[File Plan with MN Revenue]
      G --> C
  
```

© 2021 Office of the State Auditor

THE TIF PLAN

- Required TIF plan elements:
 - Objectives
 - Property to be acquired
 - Development activities (agreements entered/developers chosen)
 - Other development expected
 - Estimates of: costs/increment, bonds, values, and duration
 - Impact on all taxing jurisdictions
 - Studies/analysis used to make but-for finding
 - Parcels included in the district

© 2021 Office of the State Auditor

OPPORTUNITY TO COMMENT

- TIF decisions impact ALL local taxing jurisdictions
 - County
 - City
 - School District
 - Special Districts
- TIF authority controls all TIF decisions
- Could be positive or negative
 - Enables new tax base, redevelopment, affordable housing, jobs
 - Unnecessarily ties-up would-be tax base



© 2021 Office of the State Auditor

OPPORTUNITY TO COMMENT

- At least 30 days prior to public hearing...
- Authority must provide county auditor and school clerk with:
 - Proposed TIF plan
 - Estimate of fiscal and economic implications
 - Increment to be generated; shares attributable to county and school district levies
 - Impact on city services, infrastructure, and debt issuance
 - Additional info requested by county/SD on size, timing, type of development
- County auditor must provide copies to county board



© 2021 Office of the State Auditor

OPPORTUNITY TO COMMENT

- County may adopt a written policy with standard questions on fiscal and economic implications
- If no policy, additional information may be requested no later than **15 days** after receipt of the TIF plan
- A request does not require an additional 30 days of notice



© 2021 Office of the State Auditor

OPPORTUNITY TO COMMENT

- At least 30 days prior to public hearing...
- For a proposed housing or redevelopment district...
- Authority must additionally notify the affected county commissioner(s):
 - General description of the boundaries
 - General description of proposed activities
 - Offer to meet and discuss
 - Solicit comments



© 2021 Office of the State Auditor

OPPORTUNITY TO COMMENT

- Policy comments / considerations
 - General support / opposition
 - But-for test (necessity)
 - Scale, size, duration, sharing of NTC, etc.
- Practical comments / considerations
 - TIF plan clarity
 - Parcels, maps, and boundaries
 - County road costs



THE BUT-FOR TEST

- In the opinion of the municipality:
 - The proposed (re)development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future
 - Increase in market value reasonably expected without TIF < Increase in market value after subtracting the present value of projected tax increments



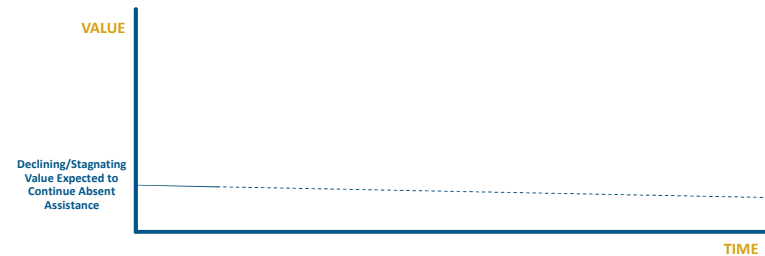
THE BUT-FOR TEST

- But-For Test may not be so black-and-white

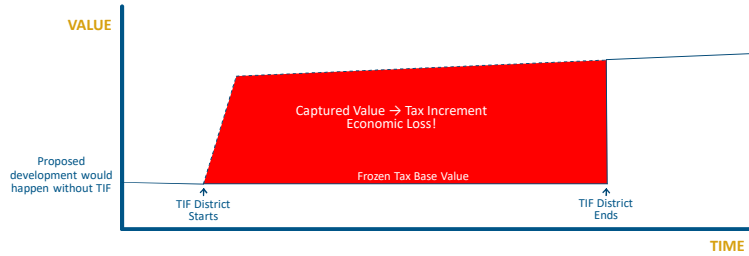
PASS - Definitely no development without TIF
 Pass? - Modest/undesirable development would occur much later
 Pass/Fail? - Modest development would occur later
 Fail/Pass? - Decent development would happen fairly soon
 Fail? - Nearly comparable development would happen soon
 FAIL - Proposed development surely would occur without TIF



THE TIF CONCEPT & BUT-FOR TEST



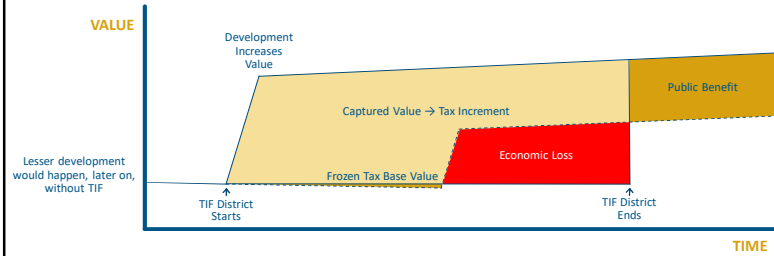
THE TIF CONCEPT & BUT-FOR TEST



© 2021 Office of the State Auditor



THE TIF CONCEPT & BUT-FOR TEST



© 2021 Office of the State Auditor



HOW MUCH IS ENOUGH?

- How much tax increment is needed to enable the development?
 - Land/Building Acquisition
 - Interest/Financing Costs
 - Utilities
 - Site Improvements
 - Other Public Improvements
- VS
- How much tax increment will be generated?

© 2021 Office of the State Auditor



HOW MUCH IS ENOUGH?

■ Tax Increment:		
	\$83,200 x 26 years =	\$2,163,200
■ Costs:		
Acquisition	\$	200,000
Site Improvements	\$	270,000
Utilities	\$	200,000
Other	\$	50,000
Administrative	\$	30,000
Interest	\$	250,000
Total	\$	1,000,000

	Before Development	After Development
		
Original NTC:	\$ 3,250	Captured NTC: \$ 64,000
Taxes Levied:	\$ 4,225	Tax Increment: \$ 83,200
City	\$ 1,520	
County	\$ 1,505	
School District	\$ 975	
Others	\$ 225	

© 2021 Office of the State Auditor



“SHARING” NTC

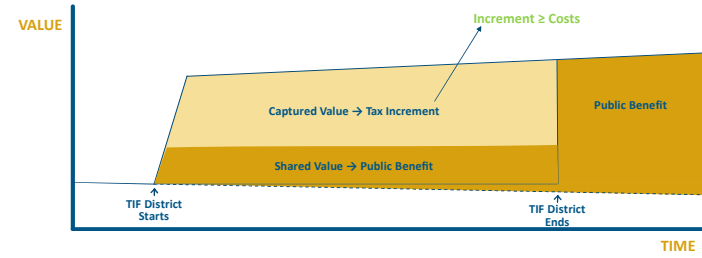
- TIF authorities may elect, in the TIF plan, to share some new value instead of full capture

Current NTC	\$67,250
Original NTC	\$3,250
Captured NTC	\$64,000
Shared NTC	\$20,000
Retained Captured NTC	\$44,000

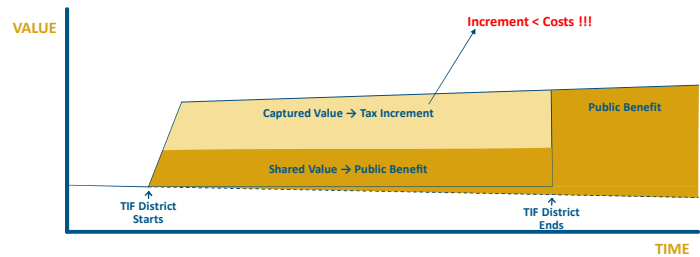
- Very seldom done as early decertification may be preferred



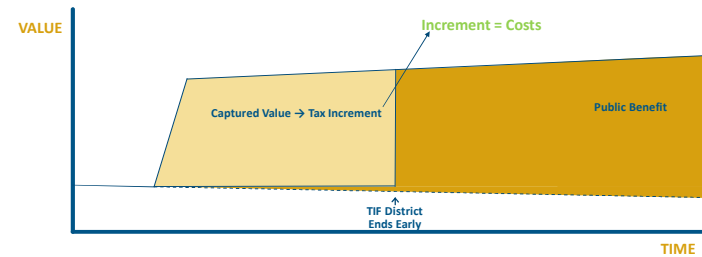
SHARING VS. CAPTURING VALUE



SHARING VS. CAPTURING VALUE



EARLY DECERTIFICATION



COUNTY ROAD COSTS

- County may require county road costs to be included in TIF Plan and paid with tax increment if it determines:
 - Proposed development will substantially increase use of county roads and require improvements/costs
 - Improvements/costs are not scheduled within 5 years under county plans and would not reasonably be expected in the foreseeable future



© 2021 Office of the State Auditor

COUNTY ROAD COSTS

- County must notify authority and municipality within 45 days
- Notice must include estimated costs and construction/payment schedule
- Improvements must be included in the TIF Plan
- If costs > projected increment, agreement must be negotiated prior to approval of TIF plan



© 2021 Office of the State Auditor

PLAN APPROVAL

- Municipality approval required (vs. authority)
- Public hearing required
- Notice must include map of district and project areas
- County auditor cannot certify without municipal approval



© 2021 Office of the State Auditor

TIF PLAN MODIFICATIONS

- TIF plans may be modified or amended by an authority
- Some modifications require the county to perform administrative actions (and some do not)
- Some modifications require the full notice/hearing/approval process as new TIF districts (and others do not)



© 2021 Office of the State Auditor

TIF PLAN MODIFICATIONS

- Modifications requiring full notice and hearing process include:
 - Enlargement of the geographic area (not allowed after 5 years)
 - Reductions in the geographic area that increase captured value
 - Increase of bonded indebtedness
 - Determination to capitalize interest
 - Increase in the share of captured NTC being retained
 - Increase in the estimate of costs paid with tax increment
 - Designation of additional property acquisition



© 2021 Office of the State Auditor

SECTION THREE

Certification of New/Modified TIF Districts



© 2021 Office of the State Auditor

DISTRICT CERTIFICATION

- Authority's **request for certification** initiates process for county auditor
- **County auditor may specify form and content of the request**



© 2021 Office of the State Auditor

DISTRICT CERTIFICATION

- Revenue's now discontinued Certification Request Supplement had long been the default form (and still gets used)

The image shows two sample forms. The left form is titled 'Form 15.01-1 Sample Certification Request Supplement' and contains a list of items to be certified, including:

- 1. Municipality Name: _____
- 2. District Name: _____
- 3. New District District Expansion Reallocate Substantive Sub-District
- 4. District Type:
 - a. **Redevelopment**
Maximum Duration: 25 years of tax increments
 - b. **Reinvest**
Maximum Duration: 25 years of tax increments
 - c. **Job-based and Revolving**
Maximum Duration: 15 years of tax increments
 - d. **Job-based Revolving**
Maximum Duration: 15 years of tax increments
 - e. **Job-based**
Maximum Duration: 20 years of tax increments
 - f. **Special Development**
Maximum Duration: 5 years of tax increments

 The right form is titled 'CERTIFICATE TO ALLOWING DEVELOPMENT AND SPECIAL PROGRAMS' and contains fields for:

- 10. District Name: _____
- 11. Address: _____
- 12. Signature: _____
- 13. Date: _____
- 14. Certification Request Date: _____
- 15. Certification Date: _____
- 16. Original Value and Pro. Ann. Year: _____

© 2021 Office of the



DISTRICT CERTIFICATION

- OSA recommends an updated TIF District Certification Request Supplement (if the county does not have their own version)
- Not required; up to county auditors
- Found on our TIF Forms webpage

County Only:
Certification Request Date _____
Certification Date _____

TIF District Certification Request Supplement

Absent a county-specified alternative, the Office of the State Auditor recommends attaching this supplement to a request for certification of a TIF district. The information below is necessary for proper administration.

Submitter Contact Information	
<small>Municipality Name</small>	<small>Name</small>
<small>TIF Authority Name</small> <small>(Municipalities, TCA, HSA, etc.)</small>	<small>Phone</small>
<small>County Name</small>	<small>Email</small>

TIF District Information

<small>TIF District Name</small>	
<small>Municipality Approval Date of TIF Plan</small>	
<small>Plan Type</small>	<input type="checkbox"/> New District <input type="checkbox"/> Modified TIF Plan <input type="checkbox"/> Hazardous Substance Subdistrict
<small>District Type</small>	<input type="checkbox"/> Economic Development <input type="checkbox"/> Renewal and Renovation <input type="checkbox"/> Housing <input type="checkbox"/> Soil Condition <input type="checkbox"/> Redevelopment <input type="checkbox"/> Other/Unconditioned

Plan Details

<small>Authority elects to treat a parcel as occupied by a demolished/removed building. See Minn. Stat. § 469.177, subd. 1(b).</small>	<input type="checkbox"/> Yes (If yes, please attach a detailed explanation) <input type="checkbox"/> No
<small>Special laws that apply to this district (e.g., 2019 Minn. Laws, 1st Spec. Sess., ch. 12, art. 3, sec. 4)</small>	
<small>Anticipated month/year of first receipt of increment</small>	
<small>TIF plan contains an election to delay first increment. See Minn. Stat. § 469.175, subd. 1(b).</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>TIF plan specifies a shorter duration than the statutory maximum</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>Anticipated required decertification date (absent early decertification). Note: Actual date of first receipt of increment may change the required decertification date.</small>	
<small>Authority will retain all captured net tax capacity. See Minn. Stat. § 469.177, subd. 2.</small>	<input type="checkbox"/> Yes <input type="checkbox"/> No, portion shared ____%
<small>Fiscal Disparities Election (if applicable)</small>	<input type="checkbox"/> Option A (FD from outside district = full capture) <input type="checkbox"/> Option B (FD from district = reduced capture)

Required attachments
Requests for certification should be accompanied by the following:

- TIF plan
- Parcel list and map
- Resolution approving TIF plan
- List of all properties with building permits issued in the 18 months preceding TIF plan approval

OSA

DISTRICT CERTIFICATION

- County should note both:
 - Certification request date
 - Actual certification date
- Entity & contact info
- TIF district name
- Municipal approval date
- Plan type
- District type

County Only:
Certification Request Date _____
Certification Date _____

TIF District Certification Request Supplement

Absent a county-specified alternative, the Office of the State Auditor recommends attaching this supplement to a request for certification of a TIF district. The information below is necessary for proper administration.

Submitter Contact Information	
<small>Municipality Name</small>	<small>Name</small>
<small>TIF Authority Name</small> <small>(Municipalities, TCA, HSA, etc.)</small>	<small>Phone</small>
<small>County Name</small>	<small>Email</small>

TIF District Information

<small>TIF District Name</small>	
<small>Municipality Approval Date of TIF Plan</small>	
<small>Plan Type</small>	<input type="checkbox"/> New District <input type="checkbox"/> Modified TIF Plan <input type="checkbox"/> Hazardous Substance Subdistrict
<small>District Type</small>	<input type="checkbox"/> Economic Development <input type="checkbox"/> Renewal and Renovation <input type="checkbox"/> Housing <input type="checkbox"/> Soil Condition <input type="checkbox"/> Redevelopment <input type="checkbox"/> Other/Unconditioned

Plan Details

<small>Authority elects to treat a parcel as occupied by a demolished/removed building. See Minn. Stat. § 469.177, subd. 1(b).</small>	<input type="checkbox"/> Yes (If yes, please attach a detailed explanation) <input type="checkbox"/> No
<small>Special laws that apply to this district (e.g., 2019 Minn. Laws, 1st Spec. Sess., ch. 12, art. 3, sec. 4)</small>	
<small>Anticipated month/year of first receipt of increment</small>	
<small>TIF plan contains an election to delay first increment. See Minn. Stat. § 469.175, subd. 1(b).</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>TIF plan specifies a shorter duration than the statutory maximum</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>Anticipated required decertification date (absent early decertification). Note: Actual date of first receipt of increment may change the required decertification date.</small>	
<small>Authority will retain all captured net tax capacity. See Minn. Stat. § 469.177, subd. 2.</small>	<input type="checkbox"/> Yes <input type="checkbox"/> No, portion shared ____%
<small>Fiscal Disparities Election (if applicable)</small>	<input type="checkbox"/> Option A (FD from outside district = full capture) <input type="checkbox"/> Option B (FD from district = reduced capture)

Required attachments
Requests for certification should be accompanied by the following:

- TIF plan
- Parcel list and map
- Resolution approving TIF plan
- List of all properties with building permits issued in the 18 months preceding TIF plan approval

OSA

DISTRICT CERTIFICATION

- Election to treat parcel occupied by demo'd building
- Special laws
- Anticipated first receipt
- Election to delay 1st receipt
- Shorter duration
- Anticipated decert date
- Sharing of NTC
- FD election

Plan Details

<small>Authority elects to treat a parcel as occupied by a demolished/removed building. See Minn. Stat. § 469.177, subd. 1(b).</small>	<input type="checkbox"/> Yes (If yes, please attach a detailed explanation) <input type="checkbox"/> No
<small>Special Laws that apply to this district (e.g., 2019 Minn. Laws, 1st Spec. Sess., ch. 12, art. 3, sec. 4)</small>	
<small>Anticipated month/year of first receipt of increment</small>	
<small>TIF plan contains an election to delay first increment. See Minn. Stat. § 469.175, subd. 1(b).</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>TIF plan specifies a shorter duration than the statutory maximum</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>Anticipated required decertification date (absent early decertification). Note: Actual date of first receipt of increment may change the required decertification date.</small>	
<small>Authority will retain all captured net tax capacity. See Minn. Stat. § 469.177, subd. 2.</small>	<input type="checkbox"/> Yes <input type="checkbox"/> No, portion shared ____%
<small>Fiscal Disparities Election (if applicable)</small>	<input type="checkbox"/> Option A (FD from outside district = full capture) <input type="checkbox"/> Option B (FD from district = reduced capture)

Required attachments
Requests for certification should be accompanied by the following:

- TIF plan
- Parcel list and map
- Resolution approving TIF plan
- List of all properties with building permits issued in the 18 months preceding TIF plan approval

OSA

DISTRICT CERTIFICATION

- Attachments:
 - TIF Plan
 - Parcel list/map
 - Resolution approving plan
 - List of properties with building permits issued in the 18 months preceding TIF plan approval

Plan Details

<small>Authority elects to treat a parcel as occupied by a demolished/removed building. See Minn. Stat. § 469.177, subd. 1(b).</small>	<input type="checkbox"/> Yes (If yes, please attach a detailed explanation) <input type="checkbox"/> No
<small>Special Laws that apply to this district (e.g., 2019 Minn. Laws, 1st Spec. Sess., ch. 12, art. 3, sec. 4)</small>	
<small>Anticipated month/year of first receipt of increment</small>	
<small>TIF plan contains an election to delay first increment. See Minn. Stat. § 469.175, subd. 1(b).</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>TIF plan specifies a shorter duration than the statutory maximum</small>	<input type="checkbox"/> Yes (Page reference in TIF plan _____) <input type="checkbox"/> No
<small>Anticipated required decertification date (absent early decertification). Note: Actual date of first receipt of increment may change the required decertification date.</small>	
<small>Authority will retain all captured net tax capacity. See Minn. Stat. § 469.177, subd. 2.</small>	<input type="checkbox"/> Yes <input type="checkbox"/> No, portion shared ____%
<small>Fiscal Disparities Election (if applicable)</small>	<input type="checkbox"/> Option A (FD from outside district = full capture) <input type="checkbox"/> Option B (FD from district = reduced capture)

Required attachments
Requests for certification should be accompanied by the following:

- TIF plan
- Parcel list and map
- Resolution approving TIF plan
- List of all properties with building permits issued in the 18 months preceding TIF plan approval

OSA

CERTIFICATION

- Department of Revenue provides a sample certification format in its Auditor/Treasurer Manual

Form 11-1: Sample Certification of Original Net Tax Capacity and Original Local Tax Rate

STATE OF MINNESOTA
STEWARTVILLE COUNTY

COUNTY AUDITOR'S CERTIFICATION
AS TO ORIGINAL NET TAX CAPACITY AND
ORIGINAL LOCAL TAX RATE FOR PROPERTIES
WITHIN THE TIF DISTRICT NO. 4-1
IN THE CITY OF STEWARTVILLE, MINNESOTA

I, the undersigned, being the duly qualified and acting County Auditor of Stewartville County, Minnesota (the "County"), DO HEREBY CERTIFY to the City of Stewartville in said County (the "City"), pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 1, that the "original net tax capacity" of all taxable property within the tax increment district designated as TIF District No. 4-1 (the "District") of said City, as described in the Tax Increment Financing Plan for the area approved by resolution of the City Council dated May 30, 2018, is 926.

I also certify that such original net tax capacity is composed of the tax capacity of each parcel of taxable property within the District as determined by the assessment thereof in 2017 for taxes payable in 2018, this being the tax capacity most recently certified by the State of Minnesota as of the date when this certification was requested.

I also certify pursuant to the provisions of Minnesota Statutes 469.177, Subdivision 1a, that the "original local tax rate" that applies to the District is 100.956, this being the local tax rate for taxes payable in 2018.

WITNESS my hand and the seal of the County this 30th day of May, 2018.

© 2021 Office of the State Auditor

ORIGINAL NET TAX CAPACITY (ONTC)

- ONTC = net tax capacity of all taxable real property in district
- Requests **by June 30** use **previous** assessment year
 - Example: Request on 6/30/21 uses AY 2020/Pay 2021 Values
- Requests **after June 30** use **current** assessment year
 - Example: Request on 7/1/21 uses AY 2021/Pay 2022 Values
- County auditor must certify within 30 days after receipt of request and sufficient information to identify parcels (don't wait for the OLTR)



© 2021 Office of the State Auditor

ORIGINAL NET TAX CAPACITY (ONTC)

- Parcel = tract or plat established prior to certification as a single unit for purposes of assessment (**No partial parcels!**)
- Outlined in Minn. Stat. § 469.177; specific situations addressed:
 - Exempt property
 - Redevelopment district parcels with removed buildings
 - Redevelopment district established as qualified disaster area
 - Districts in a presidential disaster area
- Sometimes specified by special legislation
- ONTC for HSS = NTC – costs (typically \$0)



© 2021 Office of the State Auditor

ORIGINAL LOCAL TAX RATE (OLTR)

- County auditor must certify OLTR when ONTC is certified
- OLTR = sum of all local tax rates that apply
- OLTR = rate for payable year applicable to ONTC values
- OLTR does not change
- If rate is not available within 30 days of request—(likely for requests after June 30)—**certify ONTC within 30 days** and **certify OLTR when available**
- Certification date = date ONTC is certified



© 2021 Office of the State Auditor

PARCELS NOT INCLUDABLE





- Cannot include parcels or parts of parcels that qualified in the last five years under:
 - Green Acres
 - Open Space
 - Rural Preserve
 - Agricultural Preserve

- Unless:
 - 85% or more of buildings are:
 - Qualified manufacturing facility
 - Qualified distribution facility
 - Housing districts



© 2021 Office of the State Auditor

IMPORTANT DATES

- Approval Date
(Election to delay, prior planned improvements, some durations) 
- Certification Request Date (CRD)
(ONTC and exempt determinations, effective dates for many provisions, parcels not includable, small city and qualified disaster area determinations, and more) 
- Certification Date
(Four-Year Rule, Five-Year Rule, Six-Year Rule, prohibition on enlargements, disclosure and financial reporting requirements, parcel definition, ONTC adjustment provisions) 
- Receipt of First Increment
(Durations) 



© 2021 Office of the State Auditor

NAMING DISTRICTS

- Counties use names/codes in their systems
- Use names that enable good communication between County, Authority, DOR, and OSA
- Example: City of Spruce TIF plan for "TIF 2-1 (Acme Widgets)"
County assigns code "1405"
Possible names:
 - "District 1405" Unclear
 - "Spruce District 5" Unclear
 - "1405 TIF 2-1" Better
 - "1405 TIF 2-1 Acme Widgets" Best!



© 2021 Office of the State Auditor

ASSIGNING DOR CODES

- Revenue codes:
 - TIF Location Code - assigned by DOR to each TIF authority
 - District Code - assigned by the county auditor
 - HSS Code - generally "00" for non-HSS and "01" for HSS
- Make sure the district code (coupled with the location code) is unique!!
 - Do NOT reuse codes



© 2021 Office of the State Auditor

ELECTION TO DELAY FIRST INCREMENT

- May delay 1st increment up to 4 years in TIF plan
 - NOT allowed for economic development districts
 - Avoids minimal/partial increment from starting duration clock



Example:

Plan approved 6/2/21	Pay 2021 (1/2/20 value): base year
Request certification 6/10/21	Pay 2022 (1/2/21 value): minimal increment (market)
Construction starts 10/15/21	Pay 2023 (1/2/22 value): partial increment
Construction complete 7/30/22	Pay 2024 (1/2/23 value): normal increment

Could elect 2024 to be 1st receipt, duration limit = 2049 vs 2047



© 2021 Office of the State Auditor

ELECTION TO DELAY FIRST INCREMENT

- Check the TIF plan; do not rely on request form
 - Authorities often fail to correctly note elections to delay **(50% of the time?)**
- Statement of the election should be clear
- Examples:
 - "The City elects, pursuant to M.S. § 469.175, subd. 1(b), to receive first distribution of tax increment in 2023."
 - "The City expects to receive first increment in 2023 and elects to have the first collection year be 2023."
 - "The City will receive increment beginning in 2023."



© 2021 Office of the State Auditor

FIRST RECEIPT / DURATIONS

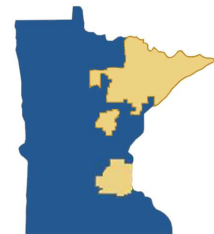
- Anticipated 1st receipt may not = actual 1st receipt **(25% of the time?)**
- Required decertification date (RDD) = 1st receipt year + 25/20/15/8 years based on district type
- Note special laws or early duration limit specified in TIF plan
- Must verify and update RDD once actual 1st receipt occurs!



© 2021 Office of the State Auditor

FISCAL DISPARITIES ELECTION

- Fiscal disparity (FD) election (if applicable)
 - Option A: Full tax increments / FD contribution from tax base
 - Option B: FD contribution from TIF parcels / Reduced tax increments



© 2021 Office of the State Auditor

PRIOR PLANNED IMPROVEMENTS

- County auditor must increase ONTC to include the NTC of improvements permitted in the 18 months before approval
- Ensures TIF districts do not capture value growth already planned without need of TIF assistance
- Authority must provide list of building permits issued when it requests certification



© 2021 Office of the State Auditor

SECTION THREE

Break Time
(Resuming shortly)



© 2021 Office of the State Auditor

SECTION FOUR

TIF District Decertification



© 2021 Office of the State Auditor

DECERTIFICATION

- Decertification is the termination of a TIF district
 - County auditor removes all remaining parcels
 - Ends collection of increment
- Reporting must continue until revenue is spent or returned



© 2021 Office of the State Auditor

DECERTIFICATION

- County auditor must decertify upon...
 - Maximum statutory duration limit
 - Earlier duration limit specified in TIF plan
 - Completion of actions under Six-Year Rule
 - Written request by the authority



© 2021 Office of the State Auditor

POOLING LIMITS

- Five-Year Rule adds a timing element to what are considered “in-district” or “out-district” expenditures*
- Increment use is considered in-district when:
 - Spent within 5 years of certification
 - Used to pay bonds and obligations that financed costs incurred within 5 years of certification
 - Spent for certain housing purposes
- New uses after 5 years are “out-district” (even if located in district)



*Five-year period is 8 or 10 years for some 2003-2012 districts (and pending new law makes it 8 years for others – TBD)



© 2021 Office of the State Auditor

SIX-YEAR RULE

- Starting in 6th year, in-district percentage of increments are restricted from pooling
- Early decertification is required when:
 - Outstanding bonds have been defeased, and
 - Sufficient money has been set aside to pay in-district obligations
- In other words, district cannot stay open to fund out-district activities (i.e. cannot opportunistically find new costs to cover)



© 2021 Office of the State Auditor

DECERTIFICATION

- Do not confuse expected vs. actual duration limits
- Full payable-year increments for year decertification are distributed*
- Resolutions are typical for early decertifications

*Includes January settlements. Partial-year distributions occurred in the past for duration limits based on approval date.



© 2021 Office of the State Auditor

DECERTIFICATION FORM

- Ensures authority, county, and OSA are all on the same page
- Authority completes part A, County completes part B
- Authority responsible for sending to OSA (but you can copy us)
- For early decertifications, we ask for a copy of decertification resolution

© 2021 Office of the State Auditor

DELINQUENT TAXES AFTER DECERTIFICATION

- County auditor may only distribute property tax revenue collected after decertification **if**:
 - Parcel was in the TIF district when it was decertified;
 - Upon decertification, the property taxes were delinquent, not merely past due;
 - Failure to pay when due caused obligations to go unpaid or be paid from other sources; and
 - Sufficient info to administer these payments was provided to county auditor
- Otherwise, they are distributed as ordinary property taxes (and not as excess tax increment)



© 2021 Office of the State Auditor

SECTION FIVE

Annual County Responsibilities



© 2021 Office of the State Auditor

ONTC ADJUSTMENTS

- County auditor must adjust the ONTC of parcels when:
 - Property changes classification
 - Legislature changes class rates
 - Exempt property becomes taxable
 - Taxable property becomes exempt
 - District's geographic area is enlarged or reduced
 - Property no longer qualifies for Green Acres, Open Space, Ag Preserve, or Rural Preserve programs

...continued on next slide



© 2021 Office of the State Auditor

ONTC ADJUSTMENTS

- County auditor must adjust the ONTC of parcels when:
 - Value increases under plat law
 - Property no longer qualifies for the homestead market value exclusion
 - Property begins qualifying for an exclusion
 - A disaster declaration impacts the property
 - Court-ordered abatements, stipulation agreements, voluntary abatements, and commissioner of Revenue orders apply



© 2021 Office of the State Auditor

CERTIFICATION OF CAPTURED NTC

- County auditor must certify Captured NTC to authorities each year, along with its proportion to the district's total NTC
- Identify retained/shared NTC portions



© 2021 Office of the State Auditor

CALCULATE TAX INCREMENT

- Two methods when fiscal disparities applies:
 - **Option A:** Full tax increments / FD contribution from tax base
 - **Option B:** FD contribution from TIF parcels / Reduced tax increments
- Option B required for economic development districts with a CRD before 6/30/14
- Method remains the same for life of district, except:
 - Election can be changed from Option A to B
 - Under special deficit conditions, can change from B to A



© 2021 Office of the State Auditor

CALCULATE TAX INCREMENT

- Choice of Option A or B impacts the **Current NTC** of TIF parcels
- Different capture and FD contribution under option A impact the **tax rate**



© 2021 Office of the State Auditor

CALCULATE TAX INCREMENT

Example* of Option A vs Option B

NTC of parcel = \$60,000 ONTC = \$10,000 Growth = \$50,000 (classified as commercial/industrial or CI)
Under FD, 40% of CI growth (or \$20,000) must be contributed to the pool

Option A – Full Capture (FD from outside)

Current NTC (no FD adjustment)	\$60,000
ONTC	\$10,000
Captured NTC	\$50,000
Tax Rate (Detail omitted – rate is higher)	116.688%
Tax Increments	\$58,344
Taxpayers pay more (higher rate), TIF protected	

Option B – Reduced Capture (FD from within)

Current NTC (after \$20K to FD pool)	\$40,000
ONTC	\$10,000
Captured NTC	\$30,000
Tax Rate (Detail omitted – rate is lower)	116.215%
Tax Increments	\$34,864
Taxpayers pay less, TIF can fund less	

*Simplified for illustration only. Please refer to MN DOR for property tax calculation instructions.



FISCAL DISPARITIES & TIF

- Option A tax increase calculation must be displayed on the annual published disclosure
- Authorities might turn to county for data or assistance

CITY OF ANNUAL DISCLOSURE OF TAX INCREMENT DISTRICTS		
TIF District Name:	TIF Dist 1 (Rivers Bend)	TIF Dist 8 (Amcor)
Current net tax capacity	0	342,530
Original net tax capacity	0	26,814
Captured net tax capacity	0	315,916
Principal and interest payments due during current year	0	126,027
Tax increment received	18,484	333,739
Tax increment expended	7,117	239,841
Month and year of first tax increment receipt	Jul-86	Jul-03
Date of required decertification	12/31/2011	12/31/2028
Increased property tax imposed on other properties as a result of fiscal disparities contribution *	0 **	54,836**

* The fiscal disparities property tax law provides that the growth in commercial-industrial value sharing can either result in a tax increase for other properties in the municipality or result in a financing district is established.
** The districts noted by ** above do not share growth in commercial-industrial property tax increment. For taxes payable in 2018, this increase in taxes on other properties amounted to \$54,836. Additional information regarding each district may be obtained from:

FISCAL DISPARITIES & TIF

- Option A tax increase calculation instructions provided by the Dept. of Revenue

Taxes Payable 2019		Taxes Payable 2019	
1. Non-Residential Property Tax	1,000,000	1. Non-Residential Property Tax	1,000,000
2. Commercial/Industrial Property Tax	2,000,000	2. Commercial/Industrial Property Tax	2,000,000
3. Residential Property Tax	500,000	3. Residential Property Tax	500,000
4. Other Taxes	100,000	4. Other Taxes	100,000
Total	3,500,000	Total	3,500,000



CALCULATE TAX INCREMENT

- Tax increment might be limited to less than the full tax on Retained Captured NTC
- Tax increment is limited to the tax generated by the lesser of:
 - The local NTC tax rates, or
 - The original local tax rate (OLTR)
- If OLTR is the lesser rate, excess taxes are calculated

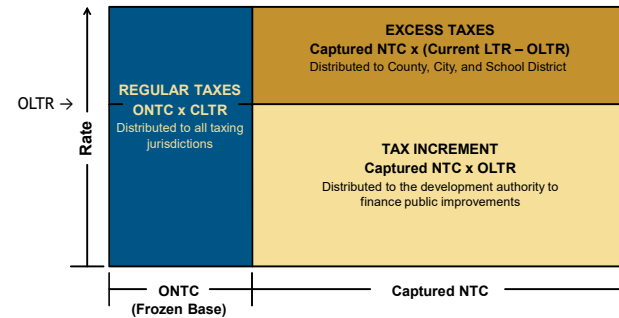


EXCESS TAXES

- **“Excess taxes”** (NOT tax increments) should not be confused with **“excess tax increments”** (increments exceeding authorized amount)
- **Excess taxes** = additional taxes generated on Retained Captured NTC when Current LTR > OLTR
- County auditor must determine and distribute excess taxes



EXCESS TAXES



EXCESS TAXES

- Distribute excess taxes to **municipality, county, and school district** based on whose current LTR produced the excess
- Other taxing jurisdictions do NOT receive excess taxes
- Entity’s amount based on its LTR increase as a share of increases for the three entities
- Excess taxes caused entirely by special taxing jurisdictions are distributed to the municipality, county, and school district in proportion to their respective tax rates



EXCESS TAXES

Example: Part 1 – Determine the total amount of excess taxes

	Total	County	City	Sch. Dist.	Others
Current LTR:	125%	45%	40%	30%	10%
OLTR:	100%	38%	25%	33%	4%
LTR Increases:	25%	7%	15%	0%	6%

Retained Captured NTC: \$10,000

Tax Increment = 100% x \$10,000 = \$10,000 (Tax increment is limited to amount generated by the OLTR)

Excess Taxes = (125% x \$10,000) – (100% x \$10,000) (Full taxes minus the limited tax increment)

= \$12,500 – \$10,000

= \$2,500

Please refer to MN DOR for property tax calculation instructions.



EXCESS TAXES

Example: Part 2 – Determine distribution of excess taxes

Excess Taxes = \$2,500

Distribution Fractions: Numerators = increases. Denominator = sum of 3 numerators (22% not 25%).

County	=	7% / 22%	=	0.31818
City	=	15% / 22%	=	0.68182
School District	=	0% / 22%	=	0.00000

Excess Tax Distributions:

County	=	\$2,500 x 0.31818	=	\$795
City	=	\$2,500 x 0.68182	=	\$1,705
School District	=	\$2,500 x 0.00000	=	\$0

Please refer to MN DOR for property tax calculation instructions.



EXCESS TAX INCREMENT

- **Excess tax increment** – increment that exceeds the amount needed to pay costs authorized in the TIF plan for the year
- Authority must annually determine excess increment
- Authority must use it for outstanding bonds or return it to county auditor (by **September 30th**)
- When received, county auditor must:
 - Distribute it to **city, county, and school district** in proportion to tax rates
 - Notify Commissioner of Education of school district distributions within 30 days



REDISTRIBUTE RETURNED INCREMENT

- Returns of unneeded surplus increment vs. formal “excess tax increment”
- An authority receiving/spending increment in violation must pay an equal amount to the county auditor for redistribution
- County auditor redistributes repayments as excess increments
- No distribution to municipality if repayment was made after:
 - 60 days from receipt of OSA Notice of Noncompliance, or
 - Commencement of action by county attorney to compel payment



OSA ENFORCEMENT DEDUCTION

- County treasurer must deduct 0.36% of all increment distributions
- Do NOT deduct from redistributions of returned increment (no longer increment at that point)
- Reported to OSA on County TIF Information Form
- Remit to MMB (with their form!)

COUNTY		MUNICIPALITY FOR MONTHLY TIF	
Please complete and mail to:		Treasury Division, Accounting	
Governor		P.O. Box 4877	
St. Paul, MN 55155-0077		St. Paul, MN 55155-0077	
Tel: 651-224-3700		Fax: 651-224-3700	
E-mail: taxinfo@mn.gov		E-mail: taxinfo@mn.gov	
RECEIVED - PAYABLE TO: COUNTY OF MINN. TREASURY			
1. Children's Surcharge (03141)	M.S. 144.220		
2. Marriage License Fee (05056)	M.S. 017.00		
3. Mar. Lic / Suppl. Mat. (05137)	M.S. 017.00		
4. Mar. Lic / MN E NABL (05148)	M.S. 017.00		
22. Birth / Death Surcharge (05180)	M.S. 144.220		
22A. Birth Record Surcharge (2010) (see Item 22)	M.S. 144.220		
MARR LIC / DISPLACED HOMEOWNER (05206)	M.S. 017.00		
22A. Int. Prepaid Education (single) Nat. License			
330. Prepaid Education (Individ) Nat. License			
35A. Mar. Lic / 2nd Marriage on the Break Project	M.S. 017.00		
Subtotal			
REAL ESTATE FEES:			
50. County Recorder & Register's Fees			
51. REAL ESTATE ASSURANCE - Tax Forfeited			
52. REAL ESTATE ASSURANCE - Registered Land			
53. TAX RECEIPT ADMINISTRATIVE FEE - TIF			
Subtotal			

DURATION LIMITS

- County auditors must identify duration limits
- No increment shall be paid after limit is reached
- Any increment payable in the year in which the district reaches its max duration is paid to the authority
- Limits extend from 1st receipt of increment



Type of District	Duration	
Economic Development	9 years	(8 yrs after 1 st receipt)
Renewal and Renovation	16 years	(15 yrs after 1 st receipt)
Soils Condition	21 years	(20 yrs after 1 st receipt)
Housing	26 years	(25 yrs after 1 st receipt)
Redevelopment	26 years	(25 yrs after 1 st receipt)



© 2021 Office of the State Auditor

DURATION LIMITS

- Special laws may provide different duration limits
- Hazardous Substance Subdistricts (HSS) may extend beyond overlying district (lesser of 25 years or time needed for costs in development response plan)
- Waiving/declining increment has no effect
- Modifications do not extend duration limits
- Extensions possible to recover cleanup costs (see Guide)
- Interest reduction programs limited to 15 years (see Guide)



© 2021 Office of the State Auditor

FOUR-YEAR KNOCKDOWN RULE

- County auditor is responsible for taking action
- If no activity commences on a parcel after 4 years, it must be knocked down (i.e. no longer produce increment)
- Activity = demolition, rehab, renovation, site prep
 - Includes qualified street improvements (new/relocated/rebuilt)
 - Excludes installation of utility service



© 2021 Office of the State Auditor

FOUR-YEAR KNOCKDOWN RULE

- Evidence/documentation of activity must be submitted by February 1 of fifth year following certification
- County auditor should compare documentation to TIF plan to ensure consistency
- If no authorized activity took place, ONTC of parcel must be excluded from district's ONTC
- If subsequent activity occurs, most recent NTC of parcel is added back



© 2021 Office of the State Auditor

SPECIAL LAWS

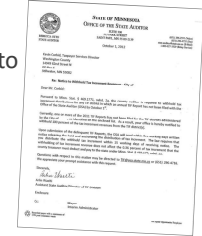
- Each year special legislation could require action by the county auditor
 - 116 TIF districts reported special laws as of 2019
 - May require approval of “affected local government units”
 - Most common provisions are:
 - Five-year rule extensions
 - Duration extensions
 - Changes to rules for creating a district
 - Changes to limits on use of increment



© 2021 Office of the State Auditor

NOTICE TO WITHHOLD TAX INCREMENT

- Authorities must submit annual reporting to the OSA (due August 1st)
- If not received by Oct. 1st, OSA notifies county auditor to withhold distribution of tax increment
- When report is received, OSA has 5 working days to mail notice to release increment
- County auditor must distribute released increment within 15 working days
- County may keep any interest accrued



© 2021 Office of the State Auditor

CORRECTION OF ERRORS

- If the county auditor makes an error or mistake, the county may:
 - Certify ONTCs at appropriate values for a later year and extend the duration,
 - Recertify affected parcels and extend the duration,
 - Recertify or correct the OLTR for the district,
 - Adjust the tax rates of taxing jurisdictions for one or more years to recoup amount advanced to replace the reduced increments, or
 - Take other appropriate action so that increment compensates for or offsets the error and correctly reflects application of the law



© 2021 Office of the State Auditor

CORRECTION OF ERRORS

- Errors or mistakes include:
 - Decertifying a district
 - Failing to certify a district
 - Incorrectly certifying a district
 - Otherwise failing to correctly compute the amount of increment
- Must notify authority/municipality in writing 30 days prior
- If they object within that period, matter is submitted to DOR for resolution (DOR consults with OSA)
- County auditor must notify DOR and OSA of corrections



© 2021 Office of the State Auditor

COUNTY ADMINISTRATIVE EXPENSES

- County may require reimbursement from authorities for its actual expenses for administration of their TIF districts
- County auditor must provide documentation of costs
- County may require payment by Feb. 15th of following year
- If county and authority/municipality cannot agree on amount to be reimbursed, either may demand binding arbitration



SECTION SIX

County TIF Reporting



COUNTY TIF REPORTING

OSA:

- County TIF Information Form
- Confirmation of TIF District Decertification Forms

Department of Revenue:

- PRISM (TIF Supplement)

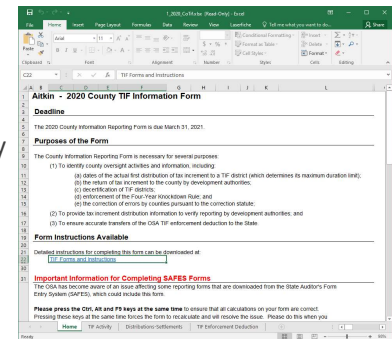
MMB:

- Vital Statistics/Real Estate Monthly Remittance Report



COUNTY TIF INFORMATION FORM

- Due last business day in March (for prior year data)
- Communicates key activities
- Allows verification of TIF authority reporting
- Reports TIF enforcement deduction transfers
- Excel file – 4 tabs



COUNTY TIF INFORMATION FORM

Home Tab:

- Info: deadline, purpose, links to instructions/resources
- Red message table:

Red Messages:

The red messages in the right margin indicate that data must be entered or corrected before the reporting form can be submitted. Once the data has been entered or corrected, the red message will no longer be displayed. The table below summarizes the number of remaining red messages.

Tab Name	Red Messages Remaining
TIF Activity	1
Distributions-Settlements	0
TIF Enforcement Deduction	0
TOTAL COUNT	1

TIF Activity

1. Were any new districts certified during 2020? (If yes, identify the authority, district, certification date and codes below.)



COUNTY TIF INFORMATION FORM

TIF Activity Tab:

- New district certifications
- First receipts of tax increment
- Increment returned to county for redistribution
- Decertifications
- Four-Year Rule "knockdowns"
- Correction of errors
- County charges admin costs?

TIF Activity										
1. Were any new districts certified during 2020? (If yes, identify the authority, district, certification date and codes below.)										
If authority name is not in drop-down list, see instructions.										
Development Authority Name (City, TSA, HRA, PA)	District Name	Certification Received Date (MM/DD/YYYY)	Certification Date (MM/DD/YYYY)	County TIF Code (City, TSA, HRA, PA)	DOR TIF Code (City, TSA, HRA, PA)	City	TSA	HRA	PA	Other
1	Coastal	COASTAL - TIF DISTRICT SETTLEMENT	12/11/2019	8/15/2020	AAR	001	000	00		
2	Shrewsbury	SHREWSBURY - TIF DISTRICT SETTLEMENT	12/11/2019	8/15/2020	BBB	002	010	00		
3	Coastal	COASTAL - TIF DISTRICT SETTLEMENT	12/11/2019	8/15/2020	BBB	003	010	00		
4	Shrewsbury	SHREWSBURY - TIF DISTRICT SETTLEMENT	12/11/2019	8/15/2020	BBB	004	010	00		
5	Shrewsbury	SHREWSBURY - TIF DISTRICT SETTLEMENT	12/11/2019	8/15/2020	BBB	005	010	00		
6	Shrewsbury	SHREWSBURY - TIF DISTRICT SETTLEMENT	12/11/2019	8/15/2020	BBB	006	010	00		
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										

COUNTY TIF INFORMATION FORM

Distributions-Settlements Tab:

- Distribution amounts:
 - Feb-Dec (1st & 2nd half) settlements
 - January settlements
- Optional CSV file
- Optional county names/codes for easier completion
- DOR codes for coordination

A	B	C
2020 Distributions (excluding January 2020 clean-up)	January 2021 Clean-up Distributions (if any)	Total TIF Distributions
\$ 9,468,477.80	\$ 459,926.41	\$ 9,927,506.21

Table
Select One
Table
File

Distributions/Settlements										
1. Did this county issue any TIF distributions/settlements in 2020?										
2. Was this county chosen to complete the Distribution Table on Line 4 or to send the optional CSV file?										
3. If the Distribution Table on Line 4 is completed, these totals will be automatically calculated. If the alternative file is provided in lieu of completing the Distribution Table, enter the corresponding totals in columns A and B. Column C will be automatically calculated.										
4. Enter the total amount of tax increment distributed for each TIF district in 2020, including any clean-up settlement in January 2021, in Column A. Enter any amount distributed in January 2021 as a clean-up settlement in Column B. Report all distributions, adding any new or recurring districts to the clean-up. Do not include TIF enforcement deduction amounts as these are paid to the State and are reported on the TIF Enforcement Deduction Tab. Column C is optional and only for the county's reference, except that if a district is added in a blank row this row should be provided to the OSA name is unknown. Verify the Department of Revenue Codes in columns E, F, and G. If included, enter the correct codes in the comment column. Do not copy and paste data into this table as it disrupts data reporting used for auditing and parsing will have errors.										
A	B	C	D	E	F	G	H	I	J	K
Development Authority Name (City, TSA, HRA, PA)	OSA TIF District Name (Optional)	County TIF District Name (Optional)	County TIF Code (Optional - Use (un)certified)	DOR TIF Code (Optional - Use (un)certified)	2020 Distributions (excluding January 2020 clean-up)	January 2021 Clean-up Distributions (if any)	Total TIF Distributions	City	TSA	HRA
Andover ESA	TIF 1.4	ANDOVER - TIF 1.4 (001)	001	001	\$ 79,272.86	\$ -	\$ 79,272.86			
Andover ESA	TIF 1.4	ANDOVER - TIF 1.4 (001)	001	001	\$ 24,782.86	\$ -	\$ 24,782.86			
Andover ESA	TIF 1.4	ANDOVER - TIF 1.4 (001)	001	001	\$ 24,782.86	\$ -	\$ 24,782.86			

COUNTY TIF INFO

TIF Enforcement Deduction Tab:

- Identifies expected amounts based on distributions
- Report dates and amounts of payments to MMB
- Comment on any significant differences or other issues

TIF Enforcement Deduction		
Expected Enforcement Deduction Amount		
1	Based on the total distributions from the Distributions-Settlement Tab (Column A), the total increment collected prior to subtracting the enforcement deduction (Column B) and the amount of the enforcement deduction (Column C) are estimated. The OSA expects that the enforcement deduction payments to the State from February 2020 through January 2021 should approximately equal the amount in Column C.	
	A	B
	Total Tax Increment Collected (amount reported on previous tab)	Total Tax Increment Collected (prior to the enforcement deduction)
	\$ 9,927,506.21	\$ 9,953,374.38
	/ (1 - .0036) =	
	\$ 35,868.26	
	Expected Enforcement Deduction	
	\$ 35,868.15	
Enforcement deduction payments to the State (MMB)		
2	Enter the amounts and dates of each payment or transfer of TIF enforcement deduction amounts to the State. Typically only two or three transfers are expected, but additional rows are provided. (If more than eight transfers were made, combine the remaining amounts on row 8 and note the additional dates in the comments on Line 3. Provide a comment on Line 3 to explain any difference greater than minor rounding errors between the total for Line 2 and the expected enforcement deduction amount.)	
	A	B
	Amount	Date
1	\$ 17,433.84	7/6/2020
2	\$ 16,776.96	12/1/2020
3	\$ 1,658.46	12/31/2020
4		
5		
6		
7		
8		
	\$ 35,868.26	
3	Comments (4,000 character limit on Comments):	

COUNTY TIF INFORMATION FORM

- Information is very valuable for TIF oversight activities
- Can be the first we learn of new districts or decertifications
- Provides true first receipt of increment for determining duration limits
- Used to verify tax increment reporting and returns of increment
- Enables enforcement deduction payments to be verified



© 2021 Office of the State Auditor

COUNTY TIF INFORMATION FORM

- Important notes:
 - Resolve all error messages (answer Yes/No to all questions)
 - Do not cut and paste data** (disrupts hidden links)
 - Use drop-downs when provided; do not overwrite cells (comment if missing from drop-down)
 - Send as Excel (not PDF)
 - Do not reformat, skip lines, or insert notations in tables
 - Do NOT report redistributed increment distributions
 - Comments are very helpful



© 2021 Office of the State Auditor

SECTION SEVEN

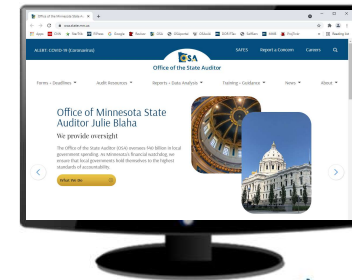
TIF Resources



© 2021 Office of the State Auditor

COUNTY TIF RESOURCES

- New website: osa.state.mn.us
- TIF County Guide (found under "Training and Guidance")
- E-Updates (emailed/posted)
- Statements of Position
- Training videos



© 2021 Office of the State Auditor

COUNTY TIF CHECKLIST

- Included in TIF County Guide
- Contains statutory references
- Sections for:
 - Notification of a proposed TIF district
 - Requests for certification
 - Annual responsibilities
 - Decertification
 - OSA notices to withhold/distribute increment
 - OSA referrals for noncompliance

TIF CHECKLIST FOR COUNTY OFFICIALS

This checklist highlights many of the functions that a county can or must perform with respect to administration of TIF districts. The checklist is not legal advice or a substitute for legal advice. It is an educational aid and is subject to revision. Please consult the TIF Act, the Guide and, for legal guidance, your attorney.

Upon Notification of a Proposed TIF District:

- County Auditor must provide copies of the authority's proposed TIF plan and estimate of fiscal and economic implications of the proposed TIF district to County Board members upon receipt from the authority. Minn. Stat. § 469.175, subd. 2(a).
- County Board may adopt standard questions on information requested for fiscal and economic implications in a written policy. Minn. Stat. § 469.175, subd. 2(b)(5).
- County Board may, absent standard questions, request additional information within 15 days after receipt of the proposed TIF plan. Minn. Stat. § 469.175, subd. 2(b)(5).
- County Board may submit written comments within 30 days of receipt of the authority's proposed TIF plan and estimate of fiscal and economic implications. Minn. Stat. § 469.175, subd. 2(a).
- County Commissioner who represents the area of a proposed housing or redevelopment district may submit written comments on the proposal within 30 days of receiving written notice of the proposed district. Minn. Stat. § 469.175, subd. 2a.
- County Board may notify the authority and municipality of its intent to use tax increments to finance county road improvements within 45 days after receipt of the proposed TIF plan. Minn. Stat. § 469.175, subd. 1a(3).

Upon Receipt of a Request for Certification of a TIF District:

- County Auditor should examine the following materials:
 - Approved TIF Plan. Minn. Stat. § 469.175, subd. 2.
 - Documentation, such as a resolution, showing municipal approval of the TIF Plan by the municipality. Minn. Stat. § 469.175, subd. 3(a).



TIF Division
 TIF@osa.state.mn.us
 651-296-4716