REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@osa.state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

Statement of Position
Election to Delay Receipt of First TIF Revenues

The term of a tax increment financing (TIF) district is calculated from the year in which the first tax increment revenues are received. If only a portion of the development is completed in the early years, this partial development will be assessed, and property taxes will be generated on its value the following year. The tax increment revenues generated from this partial development may be only a small percentage of the revenues to be generated when the district is fully developed.

Usually, about two years pass between the approval of a TIF district and the receipt of its first tax increment revenues. If site remediation, which can include pollution clean-up, is extensive, it may take longer than two years for the site to be made buildable, and even longer for development activity to be completed. If the full statutory term of a district is needed to generate sufficient tax increment revenues to pay for redevelopment activity costs, a development authority may wish to wait until the site is fully developed before receiving its first tax increment payment.

The TIF Act was amended in 2008 to permit an authority to make an election as to when it will receive the first tax increment revenues.[1] If an authority decides to make an election, the authority is to specify in the TIF plan the first year it elects to receive tax increment revenues, up to a maximum of four years following the year of approval of the district.[2]

A specific year must be identified in the TIF plan.[3] General statements, such as "elects within the first four years" or "elects to delay receipt of tax increment" in the TIF plan do not constitute an election. Counties will not recognize the election unless a specific year is identified.

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[1] The TIF Act can be found at Minn. Stat. §§ 469.174 to 469.1794, inclusive, as amended. The 2008 amendment is in effect for districts for which the request for TIF certification is made after June 30, 2008. The 2008 amendment does not apply to economic development districts.
[2] Minn. Stat. § 469.175, subd. 1(b), effective for districts for which the request for certification is made after June 30, 2008.
[3] Minn. Stat. § 469.176, subd. 1(a) (2) (referencing "specified limit" in connection with the election).

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This Statement of Position is not legal advice and is subject to revision.

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A development authority should inform the county auditor of its election to delay receipt of the district's first tax increment revenues. The Office of the State Auditor recommends submission of a written notice of the development authority's election to the county auditor, with a copy of the page in the TIF plan showing the election was made.

If a specific year was not identified in the TIF plan but the development authority subsequently elects to delay receipt of the first tax increment revenues, the TIF plan must be modified. The same procedure required for approval of the original TIF plan, which includes notice, a public hearing, and findings, is required for its modification.