

**PROPERTY TAX**  
**City of Fridley special tax increment financing rules**

March 15, 2021

|                                 | Yes | No |
|---------------------------------|-----|----|
| DOR Administrative Cost/Savings |     | X  |

Department of Revenue  
 Analysis of S.F. 1486 (Kunesh) / H.F. 1787 (Bernardy) as introduced

|              | <b>Fund Impact</b> |               |               |               |
|--------------|--------------------|---------------|---------------|---------------|
|              | <b>FY2022</b>      | <b>FY2023</b> | <b>FY2024</b> | <b>FY2025</b> |
|              | (000's)            |               |               |               |
| General Fund | \$0                | \$0           | \$0           | \$0           |

Effective following local approval.

**EXPLANATION OF THE BILL**

Under current law, pooling rules require that a certain percentage of tax increments must be spent on activities within each tax increment financing (TIF) district.

The proposal would allow the city of Fridley or its development authority to spend tax increments from TIF District No. 20 on housing programs outside the district.

Under current law, the five-year rule essentially requires development activity for a TIF district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The proposal would exempt TIF District No. 20 from five-year rule restrictions. All authority provided under the proposal would expire on December 31, 2023.

**REVENUE ANALYSIS DETAIL**

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Source: Minnesota Department of Revenue  
 Property Tax Division - Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

sf1486(hf1787)\_pt\_1/wms