



S.F. No. 1202 – School district aid and levy adjustments upon return of excess tax increment

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S.F. 1202 modifies the calculation of a school district's aid and levy limitations upon return of excess tax increment or decertification of a tax increment financing (TIF) district.

The amendment to **paragraph (b)(2)(i)(A)** makes a technical change to correctly reference the name and statutory reference of the long-term facilities maintenance (LTFM) program. (The LTFM program was created under Laws 2015 and replaced the health and safety program.)

The amendment to **paragraph (b)(2)(i)(K)** adds a reference to the equalized local optional revenue (LOR) program. Under the proposal, aid and levy limitations under this program would also be adjusted for return of excess tax increment.

Additional background information

Tax increment financing (TIF) is a financing tool meant to support local development and redevelopment that would not otherwise occur without assistance. The new, additional value from development activity is “captured” from the tax base for the duration of the TIF district and taxes paid on this captured value are used for expenditures authorized in the TIF plan. For the duration of the TIF district, the captured value is not included in the local tax base for school districts and other taxing authorities.

When the total amount of taxes on the captured value are sufficient to pay the debt or other obligations under the TIF plan, the TIF district is terminated and the captured new value becomes part of the normal tax base for all local taxing authorities, including school districts. Any excess increment collected by the TIF district is returned to local taxing authorities, including school districts.

