



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 Correction of TIF Errors

Before 2008, if an error was made concerning the certification or decertification of a tax increment financing (TIF) district or if tax increment revenues were incorrectly computed, a development authority had only one way to make a correction: It had to seek special legislation.

In 2008, the TIF Act was amended to permit correction by a county auditor of errors or mistakes.¹ The Amendment, referred to as the Correction of Errors Amendment, establishes a procedure that allows a county auditor to correct an error or mistake in any TIF district no matter when it was certified or when the error occurred, without assigning blame as to its cause.²

An error or mistake may have occurred, among other reasons, because of factual miscommunication between an authority and the county auditor, a mix-up in property identification numbers (PINs) of parcels in the TIF district, inaccurate reporting of district terms, or incorrect calculation of the original or captured tax capacity, classification rate, or local tax rate.

The county auditor may correct an error by taking one or more of the following actions:³

1. The original tax capacity of affected parcels can be certified at the appropriate value for a later taxes-payable year and the duration of the district can be extended to compensate.
2. Affected parcels in the district can be recertified and the duration of the district can be extended to compensate.
3. The original tax capacity rate for the district can be recertified or corrected.
4. The tax rates of one or more of the taxing districts imposing taxes on the TIF district (county, city, or school district) can be adjusted for one or more years to recoup revenues advanced by the county or other entity to replace reduced increments.

¹ Minn. Stat. §§ 469.174 to 469.1799 inclusive, as amended.

² Minn. Stat. § 469.177, subd. 13, and 2008 Historical and Statutory Notes.

³ Minn. Stat. § 469.177, subd. 13 (a) (1) through (5).

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

5. Other appropriate action can be taken so the amount of increment compensates for or offsets any error or mistake. The action must correctly reflect application of the law.

A development authority or municipality often discovers an error and initiates a request to the county auditor for the correction. The decision as to whether to correct the error or mistake is made by the county auditor. The county auditor may request assistance from the Department of Revenue in working out a viable change or adjustment before deciding to make a correction.

At least 30 days before the county auditor exercises authority to correct an error, the county auditor must notify the development authority and the municipality, in writing, of the auditor's intent.⁴ This written notification must include supporting information describing the reason for the proposed correction. If the municipality or authority objects within the 30-day notification period, the matter is then submitted to the Commissioner of Revenue, who consults with the Office of the State Auditor before making a decision or resolving the dispute.

Once a correction is made, documentation of the correction must be provided to the Commissioner of Revenue and the Office of the State Auditor.⁵ The final correction is then incorporated into the Department of Revenue's TIF District Tax List Supplement.

⁴ Minn. Stat. §469.177, subd. 13 (b).

⁵ Minn. Stat. §469.177, subd. 13 (c).