

# TIF Division Newsletter



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## What are Administrative Expenses?

Administrative expenses include amounts paid for services provided by legal counsel, fiscal consultants, planning or economic development consultants, and authority staff members. Tax increment revenues can be used to pay these administrative expenses. Not included in administrative expenses are amounts paid for the physical development of the project, including the purchase of land, relocation benefits, services of contractors or others providing material and services (including engineering and architectural services), and amounts paid for principal and interest on TIF bonds or other financial obligations. Minn. Stat. § 469.174, subd. 14.

## How does an Authority Determine Administrative Expense Limits?

The administrative expense limit has changed over the years so it is important to know the certification request date of the TIF district, as it determines what the appropriate expense limit is. A table identifying the administrative expense limits is included on the next page. Minn. Stat. § 469.176, subd. 3.

## Do Administrative Expenses Need to be Documented?

Yes. An authority must document administrative expenses if the costs are to be reimbursed with tax increment revenues. The administrative expense limitation provisions cannot simply authorize an authority to retain ten or five percent of all tax increment revenues received for administrative expenses, regardless of actual expenditures. To obtain payment with tax increment revenues, administrative expenditures must be authorized in the TIF plan budget.

## Can Counties Charge for their TIF Administrative Expenses?

Yes. A county may require payment of TIF related administrative expenses by February 15<sup>th</sup> of the year following the year in which it incurred the expenses. Tax increment revenues may be used to pay these expenses. County administration costs are not required to be set forth in the TIF plan budget. To obtain payment, the county auditor must submit to the authority a record of actual administrative expenses incurred. County expenses billed to the authority are subject to the same rules applicable to other administrative expenses. Minn. Stat. § 469.176, subd. 4h.

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In general, the administrative expense limits are as follows:



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Certification Request Date	Administrative Expense Limit	Statutory Cite
CRD < 8/1/79	The lesser of: 10% of the total estimated tax increment expenditures authorized by the TIF plan, OR 10% of the total tax increment expenditures for the project	§ 469.176, subd. 3(a) (1990)
8/1/79 ≤ CRD ≤ 7/1/82	The lesser of: 5% of the total estimated tax increment expenditures authorized by the TIF plan, OR 5% of the total tax increment expenditures for the district	§ 273.75, subd. 3 (Supp. 1979) <i>[Statutory cite changed in the 1987 recodification.]</i>
7/1/82 < CRD < 8/1/01	The lesser of: 10% of the total estimated tax increment expenditures authorized by the TIF plan, OR 10% of the total tax increment expenditures for the project	§ 273.75, subd. 3 (1982); <i>[Statutory cite changed in the 1987 recodification.]</i> § 469.176, subd. 3 (Supp. 1987)
CRD ≥ 8/1/01	The lesser of: 10% of the total estimated tax increment expenditures authorized by the TIF plan, OR 10% of the total tax increments received by the district	§ 469.176, subd. 3(c) (Supp. 2001)