

# TIF Division Newsletter



## Inside this issue:

Excess Increment Reminder	1
Updated TIF Statement of Position	1
Segregation of Funds	2
The Small City Exception	2

Office of the State Auditor  
 Tax Increment Financing Division  
 525 Park Street, Suite 500  
 Saint Paul, MN 55103

(651) 296-4716  
 Fax: (651) 297-3689

[TIF@osa.state.mn.us](mailto:TIF@osa.state.mn.us)  
[www.auditor.state.mn.us](http://www.auditor.state.mn.us)

## Excess Increment Reminder

September 30th is the annual deadline for the proper expenditure or return of excess tax increment. Excess increments, in general terms, are tax increments that exceed the amount necessary to pay the costs authorized by the TIF plan.

An authority may only spend the excess increment to:

- Prepay any outstanding bonds;
- Discharge the pledge of tax increment for any outstanding bonds;
- Pay into an escrow account dedicated to the payment of any outstanding bonds; or
- Return the excess amount to the county auditor.

The TIF Act requires development authorities to annually determine the amount of excess tax increment for districts. The Excess Increment Calculation (EIC) Tab of the TIF Annual Reporting Form is used to determine and report the existence of excess increment. The determination must be based on the TIF plan in effect for the district on December 31 of the previous year and on the increments and other revenues received by the district that year.

The county auditor must redistribute the excess amount to the city or town, county, and school district in which the TIF district is located in direct proportion to their respective local tax rates.

For more information, please refer to our Statement of Position [Redistribution of Tax Increment](#).

## Updated TIF Statement of Position

The Statement of Position entitled [TIF Interfund Loans](#) has been updated to include the interest rates for 2016.

**TIF Videos**

TIF Videos are available on the State Auditor’s website

**Education Series**

[Introduction to TIF](#)

[The History of TIF and Why It Matters](#)

[TIF District Types](#)

[TIF Pooling](#)

[Excess Increments vs. Excess Taxes](#)

**Instruction Series**

[Completing the Pooled Debt Form](#)

[Completing the TIF Annual Reporting Form](#)

[Completing the TIF Plan Collection Form for New Districts](#)

[Completing the TIF Plan Collection Form for Modified Districts](#)

**Segregation of Funds**

Each TIF authority is required to account for the revenues and expenditures of tax increment for each district separate from the revenues and expenditures of all other money – including tax increment from other TIF districts.

The TIF Act requires authorities to segregate each district’s tax increment in a special account (or accounts) on the TIF authority’s official books and records (or it may establish, by resolution, for the increment to otherwise be held by a trustee or trustees for the benefit of holders of bonds).

For more information regarding the segregation of TIF funds, please refer to our Statement of Position [TIF Segregation of Funds](#).

**The Small City Exception**

For Economic Development Districts, the small city exception permits small cities to use tax increment to assist the development of up to 15,000 square feet of any separately-owned commercial facility if revenues are necessary to develop the facility and increment is only used to assist the facility and pay administrative expenses.

To qualify as a small city for this provision, a city must have a population of 5,000 or less and be ten miles or more from another city in the state with a population of 10,000 or more. The distance between cities is measured by drawing a straight line from the nearest boundaries of the two cities. The designation of small city must be indicated in the TIF plan of the district. If a city is a small city in the year in which the request for certification of the district is made, the classification applies for the duration of the district.

For more information regarding the small city exception, please refer to our Statement of Position [Small Cities’ Expanded TIF Powers](#).

**TIF Division Staff**

If you have questions, please contact us:

Jason Nord  
Assistant State Auditor/TIF Director  
(651) 296-7979  
[Jason.Nord@osa.state.mn.us](mailto:Jason.Nord@osa.state.mn.us)

Kurt Mueller  
TIF Auditor  
(651) 297-3680  
[Kurt.Mueller@osa.state.mn.us](mailto:Kurt.Mueller@osa.state.mn.us)

Lisa McGuire  
TIF Auditor  
(651) 296-9255  
[Lisa.McGuire@osa.state.mn.us](mailto:Lisa.McGuire@osa.state.mn.us)

Barbara Lerschen  
TIF Analyst  
(651) 284-4134  
[Barbara.Lerschen@osa.state.mn.us](mailto:Barbara.Lerschen@osa.state.mn.us)