



## **Tax Abatement Policy**

### **A. INTRODUCTION**

Redwood County (the “County”) is granted the power to utilize tax abatement financing pursuant to the Minnesota Tax Abatement Act (“MTAA”) contained in Minnesota Statutes, Section 469.1812 to 469.1815. The County will consider tax abatement requests on a case-by-case basis, approval or denial of one project is not intended to set a precedent for approval or denial of another project. Meeting the criteria of the policy does not guarantee the approval of a tax abatement may be subject to additional requirements of the Redwood County Business Subsidy Policy and Minnesota Statutes 116J.993 to 116J.995.

### **B. CONDITIONS FOR GRANTING A TAX ABATEMENT**

In accordance with the MTAA, a tax abatement can be granted if:

1. Redwood County expects the benefits to the County of the proposed abatement to:
  - a. at least equal the cost of the abatement or
  - b. intends the abatement to phase in a property tax increase as provided in (2) (g) below; and
2. Redwood County finds that the abatement will be in the public interest because it will accomplish at least one of the following purposes:
  - a. Increase or preserve the tax base;
  - b. Provide employment opportunities in the political subdivisions;
  - c. Provide or help acquire or construct public facilities;
  - d. Help redevelop or renew blighted areas;
  - e. Help provide access to services for residents of the political subdivision;
  - f. Finance or provide public infrastructure; or
  - g. Phase in a property tax increase of the parcel resulting from an increase of 50% or more in one year on established market value of the parcel, other than increase attributable to improvement of the parcel.
3. Redwood County cannot approve a property tax abatement for any parcel located in a tax increment-financing district.
4. Property tax subject to abatement is the net tax capacity based tax of real property including land and buildings. Market value based taxes and special assessments are not eligible for abatement.

The Redwood County Board of Commissioners has set forth additional conditions which may be more restrictive than Minnesota Statutes. Those conditions include the following:

- a. The annual tax abatement will not exceed the new county property taxes attributed to new construction on the property.
- b. In any calendar year, the total amount of property taxes abated by Redwood County may not exceed 1% of the current levy or \$100,000.00, whichever is greater.
- c. Projects must have a \$300,000.00 minimum increase in estimated market value wholly attributable to improvements in order to request tax abatement.
- d. The County may grant an abatement for a term of up to 15-years, unless another political subdivision declines, in writing, to grant an abatement, then it may be increased to 20-years. Preference will be given to abatements of a shorter duration.
- e. The County will not issue bonds to provide advance payment of abatements.
- f. The County will not support tax abatement for proposals that are not economically feasible.
- g. The abatement must be approved prior to any new construction or improvements being made to the proposed property.

### **C. TYPES OF ABATEMENTS**

The County may “abate” all or a portion of its share of new property tax on one or more parcels of real property for economic development purposes, subject to a duration limit and a limit on the amount of abatements.

The “abatements” can be:

1. A rebate of property taxes to the property owner;
2. A reallocation of taxes to pay for public infrastructure costs; *or*
3. A deferment of property taxes with an abatement of interest and penalty.

The abatement for a parcel may be any one of the above, but not a mixture of two or more of these types of abatements. The type of abatement for a parcel can be changed with a modification to the abatement resolution.

### **D. APPLICATION**

A written application will be required before Redwood County will consider granting an economic development tax abatement. Prior to any consideration by the County, the applicant must deliver to the Redwood County Administrator the following:

1. Letter formally requesting an abatement from Redwood County,
2. Correct and completed Tax Abatement Application, and
3. All required attachments as outlined in the Tax Abatement Application

### **E. APPROVAL PROCESS**

1. The Business Development Committee will review all applications and provide an advisory opinion to the Redwood County Board of Commissioners. based on information presented in the Application materials referenced in Section D., as to whether or not the requested abatement is consistent with the MTAA and the requirements and objectives of this policy.
2. A public hearing will be scheduled before the Redwood County Commissioners in accordance with Minn. Stat. 469.1813, subd. 5(b).

3. An Abatement Resolution and Agreement may be approved by the Redwood County Board of Commissioners only after holding a public hearing as outlined in Section E.2. The Redwood County Commissioners will be the final approval authority for any abatement request. If the abatement is approved by the Redwood County Commissioners, the resolution and agreement should contain the following:
  1. Terms of the abatement
  2. Type of abatement (only one type can be stated)
  3. Amount of the abatement
  4. Method of annual determination
  5. Number of years
  6. Effective starting date or the first Taxes payable year for the abatement
4. Nature and extent of public benefits Approved applicants will be required to execute a tax abatement agreement.

Applicants will be required to pay for costs associated with drafting legal documents, consultant fees, and other direct costs related to processing the subsidy application.

#### **F. PAYMENT OF TAXES**

The taxes on a real estate parcel receiving the abatement must be paid when due and payable in the same manner as other real property taxes. After the taxes are paid, the County will abate the taxes in accordance with the abatement resolution.

#### **G. ANNUAL REPORTING**

Annual reporting by the applicant may be required as defined in the Redwood County Business Subsidy Policy and Minnesota Statutes 116J.993 to 116J.995.