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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 3876

02/27/2020 Authored by Petersburg The bill was read for the first time and referred to the Property and Local Tax Division

1.1 A bill for an act
1.2 relating to taxation; property and local; tax increment financing; extending the
1.3 five-year pooling rule to ten years for redevelopment districts located outside the
1.4 metro area; amending Minnesota Statutes 2018, section 469.1763, subdivision 3.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2018, section 469.1763, subdivision 3, is amended to read:

1.7 Subd. 3. Five-year rule. (a) Revenues derived from tax increments paid by properties
1.8 in the district are considered to have been expended on an activity within the district under
1.9 subdivision 2 only if one of the following occurs:

1.10 (1) before or within five years after certification of the district, the revenues are actually
1.11 paid to a third party with respect to the activity;

1.12 (2) bonds, the proceeds of which must be used to finance the activity, are issued and
1.13 sold to a third party before or within five years after certification, the revenues are spent to
1.14 repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably
1.15 expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable
1.16 temporary period within the meaning of the use of that term under section 148(c)(1) of the
1.17 Internal Revenue Code, or are deposited in a reasonably required reserve or replacement
1.18 fund;

1.19 (3) binding contracts with a third party are entered into for performance of the activity
1.20 before or within five years after certification of the district and the revenues are spent under
1.21 the contractual obligation;

2.1 (4) costs with respect to the activity are paid before or within five years after certification  
2.2 of the district and the revenues are spent to reimburse a party for payment of the costs,  
2.3 including interest on unreimbursed costs; or

2.4 (5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs  
2.5 (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision  
2.6 2, paragraph (e).

2.7 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if the  
2.8 original refunded bonds meet the requirements of paragraph (a), clause (2).

2.9 (c) For a redevelopment district or a renewal and renovation district certified after June  
2.10 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are  
2.11 extended to ten years after certification of the district. For a redevelopment district certified  
2.12 after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph  
2.13 (a) are extended to eight years after certification of the district. This extension is provided  
2.14 primarily to accommodate delays in development activities due to unanticipated economic  
2.15 circumstances.

2.16 (d) For a redevelopment district that is located outside of the metropolitan area defined  
2.17 in section 473.121, subdivision 2, that is certified after June 30, 2020, the five-year periods  
2.18 described in paragraph (a) are extended to ten years after certification of the district.

2.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.