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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1284

02/06/2023 Authored by Lislegard and Wolgamott
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; extending the five-year and six-year rules for tax increment
1.3 financing districts located in nonmetropolitan counties; amending Minnesota
1.4 Statutes 2022, section 469.1763, subdivisions 3, 4.

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

1.6 Section 1. Minnesota Statutes 2022, 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 was certified after December 31, 2017, and before
 2.17 June 30, 2020, the five-year periods described in paragraph (a) are extended to eight years
 2.18 after certification of the district.

2.19 (e) For a district located in a nonmetropolitan county, the five-year periods described
 2.20 in paragraph (a) are extended to ten years after certification of the district.

2.21 Sec. 2. Minnesota Statutes 2022, section 469.1763, subdivision 4, is amended to read:

2.22 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the sixth
 2.23 year following certification of the district if the district is located within a metropolitan
 2.24 county as defined by section 473.121, subdivision 4, or beginning with the ninth year
 2.25 following certification of the district for districts located within a metropolitan county whose
 2.26 five-year rule is extended to eight years under subdivision 3, paragraph (d), or beginning
 2.27 with the 11th year following certification of the district if the district is located within a
 2.28 nonmetropolitan county, if the applicable in-district percent of the revenues derived from
 2.29 tax increments paid by properties in the district exceeds the amount of expenditures that
 2.30 have been made for costs permitted under subdivision 3, an amount equal to the difference
 2.31 between the in-district percent of the revenues derived from tax increments paid by properties
 2.32 in the district and the amount of expenditures that have been made for costs permitted under

3.1 subdivision 3 must be used and only used to pay or defease the following or be set aside to
3.2 pay the following:

3.3 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

3.4 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4);

3.5 (3) credit enhanced bonds to which the revenues derived from tax increments are pledged,
3.6 but only to the extent that revenues of the district for which the credit enhanced bonds were
3.7 issued are insufficient to pay the bonds and to the extent that the increments from the
3.8 applicable pooling percent share for the district are insufficient; or

3.9 (4) the amount provided by the tax increment financing plan to be paid under subdivision
3.10 2, paragraphs (b), (d), and (e).

3.11 (b) The district must be decertified and the pledge of tax increment discharged when
3.12 the outstanding bonds have been defeased and when sufficient money has been set aside to
3.13 pay, based on the increment to be collected through the end of the calendar year, the following
3.14 amounts:

3.15 (1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and
3.16 (4);

3.17 (2) the amount specified in the tax increment financing plan for activities qualifying
3.18 under subdivision 2, paragraph (b), that have not been funded with the proceeds of bonds
3.19 qualifying under paragraph (a), clause (1); and

3.20 (3) the additional expenditures permitted by the tax increment financing plan for housing
3.21 activities under an election under subdivision 2, paragraph (d), that have not been funded
3.22 with the proceeds of bonds qualifying under paragraph (a), clause (1).