DEPARTMENT OF REVENUE

PROPERTY TAX
TIF Income Restrictions and Five-Year Rule Modified for Certain Districts

March 31, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 585 (Kupec) / H.F. 338 (Skraba) as introduced

	Fund Impact			
	F.Y. 2026	**F.Y. 2027**	**F.Y. 2028**	**F.Y. 2029**
	(000's)			
General Fund	$0	$0	$0	$0

Effective for districts for which the request for certification is made after June 30, 2025.

EXPLANATION OF THE BILL

Under current law, there are income limitations that must be satisfied for a tax increment financing (TIF) district to qualify as a housing district. The proposal would keep those income limitations for districts located in metropolitan counties but remove them for districts located in other areas of the state.

Also under current law, the five-year rule essentially requires development activity for a TIF district to be finished within a five-year period after the certification of the district. After this period has expired, increments may only be spent to pay off obligations that were incurred during the five-year period or for permitted expenditures under pooling. The six-year rule requires districts to be decertified when sufficient increment has been received to pay for these obligations. The proposal would extend the five-year rule to ten years and the six-year rule to 11 years for districts certified after June 30, 2025 that are not located in a metropolitan county.

REVENUE ANALYSIS DETAIL

- The proposed changes to the general TIF provisions would have no impact on the state general fund.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
https://www.revenue.state.mn.us/revenue-analyses

sf0585(hf0338) TIF Housing Income Limits, 5-Year Rule_pt_1/wms