Bill Summary

H.F. 4281

As amended by H4281A2

MN HOUSE RESEARCH

Subject	**Technical changes to tax increment financing law**
Authors	**Youakim**
Analyst	**Justin Cope**
Date	**March 17, 2022**

Overview

This bill, as proposed to be amended by H.F. 4281A2, makes technical and policy changes to the law governing tax increment financing (TIF) districts, including clarifications on usage of TIF increment for administrative expenses and a revision of the prescriptions for decertification of a TIF district.

Summary

Section	Description
1	**Administrative expenses.** Lists expenses which qualify as administrative for the purposes of tax increment financing.
2	**Pay-as-you-go contract and note.** Defines a pay-as-you-go contract and note for the purposes of tax increment financing as a contract: (1) where an authority commits to using tax increment to reimburse a developer, property owner, or other note holder; and (2) where the developer, property owner, or note holder bears the risk that tax increment may be insufficient to cover reimbursement.
3	**Limitation on administrative expenses.** For the purposes of calculating the allowable amount of administrative expenses, excludes from the calculation of total tax increment those amounts paid to the county auditor either as excess increment or as remedies for unlawfully including or keeping a property in a TIF district. Exempts from caps on administrative expenses money which is: (1) from selling or leasing property purchased by the authority using increment; and (2) spent on maintaining these properties, including reserves for repairs and insurance costs.

Section	Description
4	**Limitation on use of tax increment; general rule.** Adds payment of administrative expenses to the list of purposes for which tax financing district revenue can be used.
5	**Expenditures outside district.** Exempts amounts paid to the county auditor as excess increment or as remedies for unlawfully including or keeping a property in a TIF district from counting toward the total revenue derived from the district for the purposes of percentage pooling limits. Considers all other amounts paid to the county auditor (except for payments for using increment on impermissible projects or areas) to be expenditures within the district for the purposes of pooling limits.
6	**Five-year rule.** Makes technical changes to the five-year rule and removes an obsolete exception for public infrastructure projects.
7	**Use of revenues for decertification.** Requires decertification once the product of the applicable in-district percentage multiplied by the tax increment revenue through the end of the year is sufficient to pay off district costs and obligations, interest on the costs and obligations, and administrative expenses. Allows deferral of decertification for an authority with an outstanding pay-as-you-go contract but requires that the in-district portion of TIF revenues be spent on paying the pay-as-you-go contract and note or other costs and obligations; requires removal from the district of any parcels not pledged or subject to a pay-as-you-go contract and note. Requires authorities to decertify by resolution once decertification is required and the deferral period (if applicable) is complete; requires redistribution of any increment collected in the year after the year decertification was made effective. Exempts housing districts from these requirements and provides special rules for decertification of a district that elected to increase the percentage of increment to be spent out of district for housing projects.
8	**Pooling permitted for deficits.** Makes a clarifying change in the formula for how to calculate the deficit of a district. This formula is used when determining how much an authority can transfer from another district to eliminate the deficit. Applies only to TIF districts for which certification was requested before August 1, 2001.

Section	Description
9	**Collection of increment.** Removes an exception for failure to decertify a district from a requirement that an authority pay to the county auditor the amount generated from a property which was unlawfully included or kept in a TIF district.
10	**Suspension of distribution of tax increment.** Makes a clarifying change regarding a county auditor's withholding increments from authorities that fail to comply with their annual requirements for disclosure and financial reporting.
11	**Expenditure of increment.** Expands the sources of permitted purposes of TIF expenditures from Minn. Stat. § 469.176 to Minn. Stat. §§ 469.174 through 469.1794 (the portion of Minnesota Statutes chapter 469 governing TIF). An amount equal to the amount of TIF revenues expended for anything other than a permitted purpose must be paid to the county auditor.