MN HOUSE RESEARCH

Bill Summary

H.F. 338

As introduced

Subject	**Modifying tax increment financing rules for greater Minnesota projects**
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Summary

Increment from housing districts must be used on projects meeting certain income limitations. This bill would exempt projects outside the metropolitan counties from those limitations. Under current law, local governments outside the metropolitan area can establish economic development districts to develop market-rate housing under certain circumstances, but this authority expires in 2027.

Under general law, the five-year rule requires that debt for the in-district portion of tax increment financing activity be undertaken within five years after certification of the district. This bill would expand that period to ten years outside the metropolitan counties.

Under general law, beginning with the sixth year after a district is established, the authority must begin using a certain percentage of increment (that can vary by law) on paying off development debt. Once those debts are repaid, the district must be decertified. The requirement is a corollary of the five-year rule. This bill expands the six-year period to 11 years for districts outside the metropolitan counties, conforming to the five-year rule expansion.

All of these changes would be effective for districts certified after June 30, 2025.