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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2542

02/27/2012 Authored by Nelson
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; tax increment financing; modifying expenditures outside
1.3 district; amending Minnesota Statutes 2011 Supplement, section 469.1763,
1.4 subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2011 Supplement, section 469.1763, subdivision 2,
1.7 is amended to read:

1.8 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
1.9 district, an amount equal to at least 75 percent of the total revenue derived from tax
1.10 increments paid by properties in the district must be expended on activities in the district
1.11 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
1.12 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
1.13 For districts, other than redevelopment districts for which the request for certification
1.14 was made after June 30, 1995, the in-district percentage for purposes of the preceding
1.15 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
1.16 increments paid by properties in the district may be expended, through a development fund
1.17 or otherwise, on activities outside of the district but within the defined geographic area of
1.18 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
1.19 For districts, other than redevelopment districts for which the request for certification was
1.20 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
1.21 20 percent. The revenue derived from tax increments for the district that are expended on
1.22 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
1.23 calculating the percentages that must be expended within and without the district.

2.1 (b) In the case of a housing district, a housing project, as defined in section 469.174,
 2.2 subdivision 11, is an activity in the district.

2.3 (c) All administrative expenses are for activities outside of the district, except that
 2.4 if the only expenses for activities outside of the district under this subdivision are for
 2.5 the purposes described in paragraph (d), administrative expenses will be considered as
 2.6 expenditures for activities in the district.

2.7 (d) The authority may elect, in the tax increment financing plan for the district,
 2.8 to increase by up to ten percentage points the permitted amount of expenditures for
 2.9 activities located outside the geographic area of the district under paragraph (a). As
 2.10 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
 2.11 expenditures under paragraph (a), need not be made within the geographic area of the
 2.12 project. Expenditures that meet the requirements of this paragraph are legally permitted
 2.13 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, 4d, and
 2.14 4j. To qualify for the increase under this paragraph, the expenditures must:

2.15 (1) be used exclusively to assist housing that

2.16 (i) meets the requirement for a qualified low-income building, as that term is used in
 2.17 section 42 of the Internal Revenue Code; ~~and~~

2.18 ~~(2)~~ (ii) does not exceed the qualified basis of the housing, as defined under section
 2.19 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section
 2.20 42 of the Internal Revenue Code; and

2.21 ~~(3)~~ be (iii) is used to:

2.22 ~~(i)~~ (A) acquire and prepare the site of the housing;

2.23 ~~(ii)~~ (B) acquire, construct, or rehabilitate the housing; or

2.24 ~~(iii)~~ (C) make public improvements directly related to the housing; or

2.25 ~~(4)~~ (2) be used to develop housing:

2.26 (i) if the market value of the housing ~~does~~ upon completion of construction or
 2.27 rehabilitation, as evidenced by a written certificate of the county assessor or city assessor
 2.28 having the powers of the county assessor for the jurisdiction in which the property is
 2.29 located, based on the assessor's reviews of plans and specifications for the construction
 2.30 or rehabilitation, is estimated to not exceed the lesser of:

2.31 (A) 150 percent of the average market value of single-family homes in that
 2.32 municipality; or

2.33 (B) \$200,000 for municipalities located in the metropolitan area, as defined in
 2.34 section 473.121, or \$125,000 for all other municipalities; and

2.35 (ii) if the expenditures are used to pay the cost of site acquisition, relocation,
 2.36 demolition of existing structures, site preparation, rehabilitation, and pollution abatement

3.1 on one or more parcels, if provided that the parcel contains a residence containing is
3.2 occupied by one to four family dwelling units that has been vacant for six or more months
3.3 and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to
3.4 whether the residence is the owner's principal residence, and only after the redemption
3.5 period stated in the notice provided under section 580.06 has expired with respect to
3.6 which a mortgage was foreclosed under chapter 580, 581, or 582, and any applicable
3.7 redemption period has expired without redemption.

3.8 (e) For a district created within a biotechnology and health sciences industry zone
3.9 as defined in section 469.330, subdivision 6, or for an existing district located within
3.10 such a zone, tax increment derived from such a district may be expended outside of the
3.11 district but within the zone only for expenditures required for the construction of public
3.12 infrastructure necessary to support the activities of the zone, land acquisition, and other
3.13 redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are
3.14 considered as expenditures for activities within the district.

3.15 (f) The authority under paragraph (d), clause ~~(4)~~ (2), expires on December 31, 2016.
3.16 Increments may continue to be expended under this authority after that date, if they are
3.17 used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph
3.18 (a), if December 31, 2016, is considered to be the last date of the five-year period after
3.19 certification under that provision.

3.20 **EFFECTIVE DATE.** This section is effective for any district that is subject to the
3.21 provisions of Minnesota Statutes, section 469.1763, regardless of when the request for
3.22 certification was made.