

This Document can be made available
in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 707

02/18/2013 Authored by Nelson and FitzSimmons

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 tax increment financing; extending the five-year rule to ten years;
1.3 amending Minnesota Statutes 2012, section 469.1763, subdivisions 3, 4.
1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2012, section 469.1763, subdivision 3, is amended to read:

1.6 Subd. 3. **Five-year Ten-year rule.** (a) Revenues derived from tax increments are
1.7 considered to have been expended on an activity within the district under subdivision 2
1.8 only if one of the following occurs:

1.9 (1) before or within ~~five~~ ten years after certification of the district, the revenues are
1.10 actually paid to a third party with respect to the activity;

1.11 (2) bonds, the proceeds of which must be used to finance the activity, are issued and
1.12 sold to a third party before or within ~~five~~ ten years after certification, the revenues are
1.13 spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,
1.14 reasonably expected to be spent before the end of the later of (i) the ~~five-year~~ ten-year
1.15 period, or (ii) a reasonable temporary period within the meaning of the use of that term
1.16 under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably
1.17 required reserve or replacement fund;

1.18 (3) binding contracts with a third party are entered into for performance of the
1.19 activity before or within ~~five~~ ten years after certification of the district and the revenues
1.20 are spent under the contractual obligation;

1.21 (4) costs with respect to the activity are paid before or within ~~five~~ ten years after
1.22 certification of the district and the revenues are spent to reimburse a party for payment
1.23 of the costs, including interest on unreimbursed costs; or

2.1 (5) expenditures are made for housing purposes as permitted by subdivision 2,
 2.2 paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted
 2.3 by subdivision 2, paragraph (e).

2.4 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if
 2.5 the original refunded bonds meet the requirements of paragraph (a), clause (2).

2.6 ~~(e) For a redevelopment district or a renewal and renovation district certified after~~
 2.7 ~~June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph~~
 2.8 ~~(a) are extended to ten years after certification of the district. This extension is provided~~
 2.9 ~~primarily to accommodate delays in development activities due to unanticipated economic~~
 2.10 ~~circumstances.~~

2.11 **EFFECTIVE DATE.** This section is effective for districts certified after June 30,
 2.12 2003.

2.13 Sec. 2. Minnesota Statutes 2012, section 469.1763, subdivision 4, is amended to read:

2.14 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with
 2.15 the ~~sixth~~ eleventh year following certification of the district, if the applicable in-district
 2.16 percent of the revenues derived from tax increments paid by properties in the district
 2.17 exceeds the amount of expenditures that have been made for costs permitted under
 2.18 subdivision 3, an amount equal to the difference between the in-district percent of the
 2.19 revenues derived from tax increments paid by properties in the district and the amount of
 2.20 expenditures that have been made for costs permitted under subdivision 3 must be used
 2.21 and only used to pay or defease the following or be set aside to pay the following:

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

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

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

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

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

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

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

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

3.7 **EFFECTIVE DATE.** This section is effective for districts certified after June 30,
3.8 2003.