

Subject Savage tax increment financing district

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Summary

In 2014, Minnesota authorized the city of Savage to create tax increment financing (TIF) districts which would operate under special rules which included an extension of the five-year rule to eight years. The authority to create new districts under the special rules expired June 30, 2020.

This bill would further extend the five-year rule to 11 years. It would also authorize Savage to enlarge any of the tax increment financing districts created under the 2014 legislation for up to eight years after the Scott County auditor certified the original net tax capacity of the district. Under general law, a TIF district may not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor.

This bill would become effective once local approval of the district is certified by the chief clerical officer of the city of Savage.

Background on the five-year rule.

Five-year rule. The five-year rule requires 80 percent (75 percent for redevelopment districts) of tax increment revenues derived from a TIF district after the fifth year to be spent to decertify the district.

After the fifth year, money may only be spent to: (1) pay bonds or contracts that financed improvements, if bonds were issued before the end of the five-year period; or (2) reimburse the developer for costs it paid to make improvements in the district during the first five years. When sufficient money has been set aside, the district is decertified. This is intended to ensure that after a reasonable period of time, tax increments are used only to pay off bonds or development contracts and to put the property back on the tax rolls, rather than undertaking new expenditures or projects.