HOUSE RESEARCH
Bill Summary

FILE NUMBER: H.F. 707 **DATE:** March 4, 2013
Version: As introduced

Authors: Nelson and others

Subject: Tax increment financing (TIF) – five-year rule

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Overview

This bill extends the term of the five-year rule to ten years. This will delay by five years the period after which development authorities must use a portion of increments only to pay off bonds and other obligations so the district can be decertified and its properties can be placed back on the tax rolls.

Section

1 **Five-year rule.** Extends the 5-year rule to 10 years.

Background. 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.

2 **Use for decertification.** Delays until the eleventh year after certification, paralleling the provisions of section 1, when increments must be used to pay outstanding bonds and contractual obligations so the TIF district can be decertified.