HOUSE RESEARCH
Bill Summary

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Authors: Newton and others

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

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This bill extends the 2009 legislature's temporary two-year extension of the four-year rule that applies to TIF districts certified between January 1, 2005 and April 20, 2009 through December 31, 2016. This will allow a period of between 8 and 10 years, rather than the standard four-year period, for these qualifying TIF districts.

Background. The four-year rule is often referred to as the four-year knockdown rule. The rule requires development activity to occur on a parcel located in a TIF district within four years after the district is certified or the parcel is dropped from the TIF district. The parcel is re-instated if development activity occurs, but at its current value (not the value at the time of certification of the district). The knock-down rules can be satisfied by demolition, rehabilitation, or renovation (public or privately financed) of improvements on the parcel or by improvement of a public street adjacent to the parcel. Installing utilities (e.g., sewer and water service) does not qualify. The rule was designed to prevent TIF from being used to capture tax on inflation in the value of parcels on which no development activity has occurred. In the recent real estate environment, little general inflation in land and property values has been occurring.