HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 668 **DATE:** February 25, 2013
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Subject: Tax increment financing (TIF) – adjustment to original tax capacity for the homestead market value exclusion

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This bill authorizes development authorities (economic development authorities, housing and redevelopment authorities and similar) to elect to reduce the original net tax capacity of a TIF district for the effects of enactment of the homestead market value exclusion (HMVE). This election must be approved by the municipality (typically the city in which the TIF district is located or the county for TIF districts located in towns). The election is limited to “qualified TIF districts” – generally districts that have a large loss in captured tax capacity as a result of enactment of the HMVE.

To qualify for the election, a district must satisfy two criteria:

1. The district received a homestead market value credit of $10,000 or more for taxes payable in 2011 (the last year before the credit was replaced by the HMVE).

2. The district’s captured net tax capacity must have dropped by at least 1.75% as a result of the MVE for taxes payable in 2013 (the most recently available year).

For a qualified district, the subtraction will be equal to the reduction in net tax capacity of the TIF district that results from the HMVE for taxes payable in 2013. The subtraction cannot reduce original net tax capacity below zero. An election must be made before July 1, 2014. For an election to apply for taxes payable in 2014, it must be made by July 1, 2013.