

HOUSE RESEARCH

Bill Summary

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Subject: Tax increment financing (TIF) – 6-year Rule

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This bill modifies the 6-year rule statute to clarify that its calculations are made on an annual basis – that is, using the increments received and the expenditures for each year. This is consistent with the Office of State Auditor’s position statement 2010-3001 (revised September 2014). Some cities and development authorities read the statute to allow the calculations to be made on a cumulative, rather than annual, basis – that is, counting all of the district’s increment revenues and expenditures made through that year to determine when moneys must be used for early decertification, as opposed to pooling (spending on activities outside of the district and/or after the 5-year rule has run).

The 6-year rule requires that after the passage of the 5-year Rule (i.e., the first five years after certification of the district), the in-district share of the increments (75 percent for redevelopment districts; 80 percent for all other districts) may be used only to pay bonds, contracts, and other obligations incurred during the first five years. This is intended to encourage early decertification of TIF districts, returning their captured value to the regular property tax rolls.

Effective date: Increments used after December 31, 2015.