

HOUSE RESEARCH

Bill Summary

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Subject: Tax increment financing (TIF) – City of Eagan

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This bill provides three special law provisions for a redevelopment TIF district in the city of Eagan:

- **Duration extension** – The bill allows the district to collect taxes through 2044. This district is required by law to be decertified in 2029, so this would be a 15-year extension.
- **Tax rate** – Increment will be calculated using the current tax rate, not the original tax rate in effect when the district was certified. This will increase increment revenues, since the original tax rate cannot be higher than the current rate.
- **Five-year rule** – The five-year rule is extended to 15 years. This district was certified in July 2003. As a result, it received a general law extension of the five-year rule to ten years under the 2010 Jobs Bill, which applied to all TIF districts certified between June 30, 2003 and April 20, 2009.

Background information. The five-year rule requires 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.