

**PROPERTY TAX
Requirements for the Use of
Excess Increments Modified**

February 23, 2026

Department of Revenue
Analysis of S.F. 3608 (Rest) as introduced

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective for excess increment determinations beginning in calendar year 2026.

EXPLANATION OF THE BILL

Under current law, excess increments in a tax increment financing (TIF) district must be spent or returned within nine months of a December 31 excess increment determination. Excess increments may only be used to prepay any outstanding bonds, discharge the pledge of tax increment for any outstanding debt, pay into an escrow account for the payment of outstanding bonds, or return to the local jurisdictions in which the TIF district is located.

The proposal would modify the requirements for the use of excess tax increments. If there are excess increments in a TIF district within nine months of the December 31 excess increment determination, the authority must return the excess increment to the county auditor and decertify the district, if there are no outstanding qualifying debt obligations. Once excess increments are returned to the county auditor, they must be distributed to the local jurisdictions in which the TIF district is located. The district can defer decertification if they modify the TIF plan and modify the costs authorized to be paid with increments. The proposal would also modify the definition of excess increments.

REVENUE ANALYSIS DETAIL

- The proposed changes to the general TIF provisions would have no impact on the state general fund.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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