



STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

(651)296-2551 | State.Auditor@osa.state.mn.us | www.osa.state.mn.us

Statement of Position TIF Four-Year Knock-Down Rule

Date Reviewed: 12/2025

Date Revised: 8/2024

This Statement of Position is not legal advice and is subject to revision.

The Four-Year Knock-Down Rule is a provision in the TIF Act that requires development activity to take place on each parcel within a tax increment financing (TIF) district within four years from the date of certification of the original net tax capacity of the district.¹ If development activity on a parcel has not begun within the required time frame, no additional tax increment may be collected from that parcel and its value must be excluded from the district's original net tax capacity.

The Rule requires the development authority to submit evidence to the county auditor that development activity has occurred on each parcel in the district within the four-year (or, if applicable, extended) period.² The evidence must be submitted by February 1 of the fifth year following the year the original net tax capacity of the district was certified.³ For example, if a district were certified on March 23, 2020, evidence of activity occurring by March 23, 2024, must be reported to the county by February 1, 2025.

The development activity required by the Rule includes demolition, rehabilitation, renovation, and other site preparation. "Other site preparation" can include street improvements adjacent to a parcel in a TIF district, but street improvements are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. Installation of utility services, including sewer or water systems, does not qualify as development activity.

The county auditor must exclude the original net tax capacity of any parcel on which there has been no development activity. The exclusion of the original net tax capacity does not mean the parcel is eliminated from the district.

If the authority or owner of the parcel subsequently begins site preparation on that parcel in accordance with the TIF plan, the authority may certify to the county auditor that development activity has begun.

The county auditor should then certify the net tax capacity of the parcel as most recently certified by the Department of Revenue and add it to the original net tax capacity of the district. When the recertification

¹ Minn. Stat. § 469.176, subd. 6. The TIF Act is found at Minn. Stat. §§ 469.174 to 469.1794, inclusive, as amended.

² To give authorities flexibility to respond to the Great Recession, districts certified on or after January 1, 2005, and before April 20, 2009, were given an extended "four-year" period that ended December 31, 2016. See 2009 Minn. Laws ch. 88, art. 5, § 7; and 2013 Minn. Laws ch. 143, art. 9, § 5.

³ For districts certified on or after January 1, 2005, and before April 20, 2009, the evidence must be submitted by February 1, 2017.

of a parcel occurs and it resumes generation of tax increment, the duration of the district would remain the same; the parcel does not have an extended duration.

In some instances, authorities have decided to include the parcel in a new TIF district rather than certify the recommencement of activity as part of the original district. In such an instance, the parcel should be eliminated from the original TIF district.⁴

⁴ A formal modification of the original TIF plan would not be required. See Minn. Stat. § 469.175, subd. 4(e).