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State of Minnesota

HOUSE OF REPRESENTATIVES

SPECIAL SESSION

H. F. No. 79

06/15/2020 Authored by Gomez, Davnie, Hassan, Her, Lee and others
The bill was read for the first time and referred to the Committee on Taxes
06/18/2020 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to taxation; providing sales tax exemptions for certain destroyed or
1.3 damaged properties; providing property tax relief for properties damaged by fire
1.4 or vandalism; amending Minnesota Statutes 2018, section 297A.71, by adding a
1.5 subdivision; Minnesota Statutes 2019 Supplement, section 297A.75, subdivisions
1.6 1, as amended, 2.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision
1.9 to read:

1.10 Subd. 53. Properties destroyed or damaged during protests and unrest in May and
1.11 June of 2020. (a) The sale and purchase of the following items are exempt if the items are
1.12 used to repair, replace, clean, or otherwise recover from real and personal property damage
1.13 and destruction after May 24, 2020, and before June 16, 2020, resulting from protests and
1.14 unrest in the cities included in the peacetime emergency declared in the governor's Executive
1.15 Order No. 20-64:

1.16 (1) building materials and supplies used or consumed in, and equipment incorporated
1.17 into, the construction, replacement, or repair of real property;

1.18 (2) capital equipment, including retail fixtures, office equipment, and restaurant
1.19 equipment, with a cost of \$5,000 or more and a useful life of more than one year; and

1.20 (3) building cleaning and disinfecting services related to mitigating smoke damage and
1.21 graffiti on and in impacted buildings.

1.22 (b) The exemption in this subdivision only applies to materials, supplies, and services
1.23 purchased to repair, replace, or clean buildings owned by a government entity or by a private

2.1 owner provided the building housed one or more of the following entities at the time of the
2.2 damage or destruction:

2.3 (1) a commercial establishment with annual gross income of \$30,000,000 or less in
2.4 calendar year 2019;

2.5 (2) a nonprofit organization; or

2.6 (3) a low-income housing development that meets the certification requirements under
2.7 Minnesota Statutes, section 273.128, whether or not the development was occupied at the
2.8 time of its damage or destruction.

2.9 (c) The tax must be imposed and collected as if the rate under section 297A.62,
2.10 subdivision 1, applied and then refunded in the manner provided in section 297A.75. The
2.11 exemption under paragraph (a) applies to sales and purchases made after May 25, 2020,
2.12 and before December 1, 2022.

2.13 (d) Both the owner and occupants of the real property at the time of the damage or
2.14 destruction may apply for a refund under this subdivision but may only request a refund for
2.15 the goods and services they paid for, or were contracted and paid for on their behalf. The
2.16 exemption does not apply to purchases of an owner if the owner did not own the real property
2.17 at the time of the damage or destruction.

2.18 **EFFECTIVE DATE.** This section is effective the day following final enactment and
2.19 applies retroactively to sales and purchases made after May 25, 2020.

2.20 Sec. 2. Minnesota Statutes 2019 Supplement, section 297A.75, subdivision 1, as amended
2.21 by Laws 2020, chapter 83, article 1, section 74, is amended to read:

2.22 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
2.23 exempt items must be imposed and collected as if the sale were taxable and the rate under
2.24 section 297A.62, subdivision 1, applied. The exempt items include:

2.25 (1) building materials for an agricultural processing facility exempt under section
2.26 297A.71, subdivision 13;

2.27 (2) building materials for mineral production facilities exempt under section 297A.71,
2.28 subdivision 14;

2.29 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

2.30 (4) building materials used in a residence for veterans with a disability exempt under
2.31 section 297A.71, subdivision 11;

- 3.1 (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- 3.2 (6) materials and supplies for qualified low-income housing under section 297A.71,
3.3 subdivision 23;
- 3.4 (7) materials, supplies, and equipment for municipal electric utility facilities under
3.5 section 297A.71, subdivision 35;
- 3.6 (8) equipment and materials used for the generation, transmission, and distribution of
3.7 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
3.8 37;
- 3.9 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
3.10 (a), clause (10);
- 3.11 (10) materials, supplies, and equipment for construction or improvement of projects and
3.12 facilities under section 297A.71, subdivision 40;
- 3.13 (11) materials, supplies, and equipment for construction, improvement, or expansion of
3.14 a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
3.15 45;
- 3.16 (12) enterprise information technology equipment and computer software for use in a
3.17 qualified data center exempt under section 297A.68, subdivision 42;
- 3.18 (13) materials, supplies, and equipment for qualifying capital projects under section
3.19 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- 3.20 (14) items purchased for use in providing critical access dental services exempt under
3.21 section 297A.70, subdivision 7, paragraph (c);
- 3.22 (15) items and services purchased under a business subsidy agreement for use or
3.23 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
3.24 44;
- 3.25 (16) building materials, equipment, and supplies for constructing or replacing real
3.26 property exempt under section 297A.71, subdivisions 49; 50, paragraph (b); and 51; ~~and~~
- 3.27 (17) building materials, equipment, and supplies for qualifying capital projects under
3.28 section 297A.71, subdivision 52.; and
- 3.29 (18) building materials, equipment, supplies, and capital equipment for constructing or
3.30 replacing real property, and cleaning and disinfecting services for impacted property exempt
3.31 under section 297A.71, subdivision 53.

4.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.2 Sec. 3. Minnesota Statutes 2019 Supplement, section 297A.75, subdivision 2, is amended
4.3 to read:

4.4 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
4.5 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must
4.6 be paid to the applicant. Only the following persons may apply for the refund:

4.7 (1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

4.8 (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

4.9 (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
4.10 provided in United States Code, title 38, chapter 21;

4.11 (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
4.12 property;

4.13 (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

4.14 (6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
4.15 joint venture of municipal electric utilities;

4.16 (7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying
4.17 business;

4.18 (8) for subdivision 1, clauses (9), (10), (13), and (17), the applicant must be the
4.19 governmental entity that owns or contracts for the project or facility; ~~and~~

4.20 (9) for subdivision 1, clause (16), the applicant must be the owner or developer of the
4.21 building or project; and

4.22 (10) for subdivision 1, clause (17), the applicant must be an owner or occupant of the
4.23 real property at the time of its damage or destruction.

4.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.25 Sec. 4. **PROPERTY TAX RELIEF FOR PROPERTIES DAMAGED BY FIRE OR**
4.26 **VANDALISM.**

4.27 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
4.28 the meanings given.

5.1 (b) "Damage amount" means the difference between (1) a property's estimated market
5.2 value as determined on January 2, 2020, and (2) the property's estimated market value as
5.3 determined under subdivision 4.

5.4 (c) "Qualifying property" means a property that:

5.5 (1) is located in the area included in the peacetime emergency declared in the governor's
5.6 Executive Order No. 20-64;

5.7 (2) was damaged or destroyed due to the unrest in the cities of Minneapolis and St. Paul
5.8 and surrounding communities after May 24, 2020, and before June 16, 2020;

5.9 (3) has a damage amount equal to at least 25 percent of the property's estimated market
5.10 value as determined on January 2, 2020; and

5.11 (4) has not received abatements or credits under Minnesota Statutes, sections 273.1231
5.12 to 273.1235, for a disaster or emergency that occurred in 2020.

5.13 (d) "Utility property" means property appraised and classified for tax purposes by order
5.14 of the commissioner of revenue under Minnesota Statutes, sections 273.33 to 273.3711.

5.15 Subd. 2. **Application.** The owner of a property that is not a utility property must apply
5.16 to the county board and county or local assessor by September 1, 2020, in a manner
5.17 prescribed by the assessor, in order to be eligible for an abatement under subdivision 3. The
5.18 owner of a utility property must apply to the commissioner of revenue by September 1,
5.19 2020, in a manner prescribed by the commissioner, in order to be eligible for an abatement
5.20 under subdivision 3.

5.21 Subd. 3. **Abatements.** (a) Notwithstanding Minnesota Statutes, sections 270C.86 and
5.22 375.192, the county board and commissioner of revenue must grant abatements in the
5.23 amounts provided in paragraphs (b) and (c) for qualifying properties that submitted an
5.24 application under subdivision 2.

5.25 (b) For a qualifying property with a damage amount equal to less than 50 percent of the
5.26 property's estimated market value as determined on January 2, 2020, the abatement amount
5.27 is equal to 50 percent of the net property tax due on the property in 2020.

5.28 (c) For a qualifying property with a damage amount equal to at least 50 percent of the
5.29 property's estimated market value as determined on January 2, 2020, the abatement amount
5.30 is equal to 100 percent of the net property tax due on the property in 2020.

6.1 (d) If application is made after payment of all or a portion of the taxes being abated, the
6.2 portion of the abatement already paid must be refunded to the taxpayer by the county
6.3 treasurer as soon as practicable.

6.4 Subd. 4. **Reassessments required.** For the purposes of this section, the county or local
6.5 assessor must reassess all damaged property for which an application is submitted under
6.6 subdivision 2, except that the commissioner of revenue must reassess all utility property
6.7 for which an application is submitted under subdivision 2.

6.8 Subd. 5. **Valuation increase prohibited.** (a) The estimated market value for qualifying
6.9 properties that receive an abatement under subdivision 3 must not exceed the property's
6.10 estimated market value as determined under subdivision 4 until assessment year 2025,
6.11 provided that the property retains the same ownership it had as of May 25, 2020.

6.12 (b) Owners of property meeting the requirements of this subdivision must submit any
6.13 information the county or local assessor or commissioner of revenue deems necessary to
6.14 determine continued eligibility under this subdivision by December 15 of each year prior
6.15 to the assessment year for which the property qualifies under paragraph (a).

6.16 Subd. 6. **Reimbursement and appropriation.** (a) The county auditor must certify the
6.17 abatements granted under this section to the commissioner of revenue for reimbursement
6.18 to each taxing jurisdiction in which qualifying property is located. The commissioner must
6.19 make the payments to the taxing jurisdictions containing qualifying property, other than
6.20 school districts and the state, at the time distributions are made under Minnesota Statutes,
6.21 section 473H.10, subdivision 3. Reimbursements to school districts must be made as provided
6.22 in Minnesota Statutes, section 273.1392. No reimbursement is to be paid to the state treasury.

6.23 (b) An amount necessary to make payments required by this section is appropriated to
6.24 the commissioner of revenue from the general fund in fiscal year 2021.

6.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.