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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 4001

05/11/2016 Authored by Mullery
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; providing credits for hiring certain targeted individuals;
1.3 providing a sales tax exemption for purchases of certain building materials;
1.4 providing expanded tax increment financing authority to the city of Minneapolis;
1.5 amending Minnesota Statutes 2014, sections 297A.71, by adding a subdivision;
1.6 297A.75, subdivision 1; proposing coding for new law in Minnesota Statutes,
1.7 chapter 290.

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

1.9 Section 1. **[290.0693] TARGETED JOBS TAX CREDIT.**

1.10 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms
1.11 have the meanings given, unless the context clearly indicates otherwise.

1.12 (b) "City" means the city of Minneapolis.

1.13 (c) "Date of hire" means the day that the qualified employee begins performing
1.14 services as an employee of the employer.

1.15 (d) "High unemployment demographic group" means any one of the following
1.16 groups that the commissioner of employment and economic development certifies to the
1.17 city has an unemployment rate within the state that is at least 25 percent higher than
1.18 the state average, based on the data from the most recent one-year estimates under the
1.19 American Community Survey, conducted by the United States Bureau of the Census, for:

1.20 (1) age groupings, but excluding groups consisting of individuals aged 75 years
1.21 and over;

1.22 (2) race or Hispanic or Latino origin;

1.23 (3) poverty status in the past 12 months;

1.24 (4) disability status; or

1.25 (5) educational attainment.

2.1 (e) "Qualified area" means the geographic area of the city that is located in one of
 2.2 the following postal zip codes: 55411, 55412, or 55430.

2.3 (f) "Qualified employee" means an employee as defined in section 290.92,
 2.4 subdivision 1:

2.5 (1) who is a targeted individual on the date of hire;

2.6 (2) who is paid wages as defined in section 290.92, subdivision 1; and

2.7 (3) whose wages are attributable to Minnesota under section 290.191, subdivision
 2.8 12, but excludes:

2.9 (i) any employee who bears any of the relationships to the employer described in
 2.10 subparagraphs (A) to (G) of section 152(d)(2) of the Internal Revenue Code;

2.11 (ii) if the employer is a corporation, an employee who owns, directly or indirectly,
 2.12 more than 50 percent in value of the outstanding stock of the corporation, or if the
 2.13 employer is an entity other than a corporation, an employee who owns, directly or
 2.14 indirectly, more than 50 percent of the capital and profits interests in the entity, as
 2.15 determined with the application of section 267(c) of the Internal Revenue Code; or

2.16 (iii) if the employer is an estate or trust, any employee who is a fiduciary of the estate
 2.17 or trust, or is an individual who bears any of the relationships described in subparagraphs
 2.18 (A) to (G) of section 152(d)(2) of the Internal Revenue Code to a grantor, beneficiary,
 2.19 or fiduciary of the estate or trust.

2.20 (g) "Targeted individual" means an individual who:

2.21 (1) is a resident of the qualified area;

2.22 (2) has attained the age of 18 on the hiring date;

2.23 (3) has not regularly attended any secondary, technical, or postsecondary school
 2.24 during the four-month period preceding the hiring date;

2.25 (4) was not regularly employed during four-month period preceding the hiring
 2.26 date; and

2.27 (5) is a member of a high unemployment demographic group, as certified under
 2.28 subdivision 4 for the taxable year, on the hiring date.

2.29 Subd. 2. Credit allowed. (a) An employer who is required to file a return under
 2.30 section 289A.08, subdivision 1, 2, or 3, is allowed a credit for each qualified employee
 2.31 employed during the taxable year equal to ten percent of the wages paid to the qualified
 2.32 employee during the taxable year, but the amount of the credit for each qualified employee
 2.33 must not exceed \$..... An employer may claim the credit either for the taxable year in
 2.34 which the qualified employee is hired or for the taxable year immediately following the
 2.35 year in which the qualified employee was hired, but the qualified employer may not claim
 2.36 the credit for both taxable years.

3.1 (b) An employer may not claim a credit under this subdivision for an individual if
 3.2 the employer previously employed the individual.

3.3 (c) The credit is limited to the liability for tax under this chapter for the taxable year.
 3.4 If the credit for a taxable year exceeds the liability for tax under this chapter, the excess
 3.5 may be carried over to each of the five succeeding taxable years. The entire amount of the
 3.6 excess unused credit must be carried first to the earliest taxable year to which the amount
 3.7 may be carried. The unused portion of the credit must be carried to the following taxable
 3.8 year. No credit may be carried to a taxable year more than five years after the taxable year
 3.9 in which the credit was earned.

3.10 Subd. 3. **Pass-through entities.** Credits granted to a partnership, limited liability
 3.11 company taxed as a partnership, or S corporation are passed through to the partners,
 3.12 members, or shareholders, respectively, pro rata to each partner, member, or shareholder
 3.13 based on the share of the entity's profits or as specially allocated in the organizational
 3.14 documents, as of the last day of the taxable year.

3.15 Subd. 4. **High unemployment demographic group certification.** By November 1
 3.16 of each year, the commissioner of employment and economic development shall certify to
 3.17 the city the high unemployment demographic groups for taxable years that begin during
 3.18 the immediately following calendar year. The city shall make the information available
 3.19 to employers via its Web site and any other method that it determines appropriate to
 3.20 publicize the availability of the credit under this section.

3.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 3.22 December 31, 2015, for qualified employees hired after the day following final enactment.

3.23 Sec. 2. Minnesota Statutes 2014, section 297A.71, is amended by adding a subdivision
 3.24 to read:

3.25 Subd. 49. **Construction materials, redevelopment in North Minneapolis.**
 3.26 Construction materials and supplies used in construction, reconstruction, or redevelopment
 3.27 of a commercial, industrial, or mixed-use building that includes commercial or industrial
 3.28 space, located in either the 55411 or 55412 zip code or in the portion of the 55430 zip
 3.29 code located in the city of Minneapolis, are exempt. To qualify for the exemption under
 3.30 this subdivision, the total construction cost of the project must equal at least \$..... during
 3.31 the 24-month period. The tax on purchases exempt under this subdivision must be
 3.32 imposed and collected as if the rate under section 297A.62, subdivision 1, applies and
 3.33 then refunded in the manner provided in section 297A.75.

4.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
4.2 June 30, 2016.

4.3 Sec. 3. Minnesota Statutes 2014, section 297A.75, subdivision 1, is amended to read:

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

4.7 (1) building materials for an agricultural processing facility exempt under section
4.8 297A.71, subdivision 13;

4.9 (2) building materials for mineral production facilities exempt under section
4.10 297A.71, subdivision 14;

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

4.12 (4) building materials used in a residence for disabled veterans exempt under section
4.13 297A.71, subdivision 11;

4.14 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

4.15 (6) materials and supplies for qualified low-income housing under section 297A.71,
4.16 subdivision 23;

4.17 (7) materials, supplies, and equipment for municipal electric utility facilities under
4.18 section 297A.71, subdivision 35;

4.19 (8) equipment and materials used for the generation, transmission, and distribution
4.20 of electrical energy and an aerial camera package exempt under section 297A.68,
4.21 subdivision 37;

4.22 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3,
4.23 paragraph (a), clause (10);

4.24 (10) materials, supplies, and equipment for construction or improvement of projects,
4.25 and facilities under section 297A.71, subdivision 40;

4.26 (11) materials, supplies, and equipment for construction, improvement, or expansion
4.27 of:

4.28 (i) an aerospace defense manufacturing facility exempt under section 297A.71,
4.29 subdivision 42;

4.30 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71,
4.31 subdivision 45;

4.32 (iii) a research and development facility exempt under section 297A.71, subdivision
4.33 46; ~~and~~

4.34 (iv) an industrial measurement manufacturing and controls facility exempt under
4.35 section 297A.71, subdivision 47; and

5.1 (v) a commercial, industrial, or mixed-use building under section 297A.71,
 5.2 subdivision 49;

5.3 (12) enterprise information technology equipment and computer software for use in
 5.4 a qualified data center exempt under section 297A.68, subdivision 42;

5.5 (13) materials, supplies, and equipment for qualifying capital projects under section
 5.6 297A.71, subdivision 44;

5.7 (14) items purchased for use in providing critical access dental services exempt
 5.8 under section 297A.70, subdivision 7, paragraph (c); and

5.9 (15) items and services purchased under a business subsidy agreement for use or
 5.10 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44.

5.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 5.12 June 30, 2016.

5.13 Sec. 4. **TAX INCREMENT FINANCING; CITY OF MINNEAPOLIS.**

5.14 (a) Notwithstanding Minnesota Statutes, section 469.1763, the city of Minneapolis
 5.15 may authorize, by resolution, that up to ten percent of the increment from one or more of
 5.16 its tax increment financing districts be transferred to and used for qualifying costs of a tax
 5.17 increment financing project if the following requirements are satisfied:

5.18 (1) the project costs are incurred for improvements in the qualified area, as defined
 5.19 in Minnesota Statutes, section 290.0693, subdivision 1;

5.20 (2) the expenditures satisfy the requirements of Minnesota Statutes, section 469.176,
 5.21 subdivision 4j;

5.22 (3) the city finds that the expenditures will principally benefit residents of the
 5.23 qualified area; and

5.24 (4) the expenditures do not supplant other city expenditures for the project.

5.25 (b) The provisions of Minnesota Statutes, section 469.1763, do not apply to or
 5.26 restrict increments expended under this section and the authorizing resolution. The total
 5.27 amount the city may expend under this section is limited to no more than \$.....

5.28 **EFFECTIVE DATE.** This section is effective the day following final enactment
 5.29 without local approval under the provisions of Minnesota Statutes, section 645.023,
 5.30 subdivision 1, clause (a).