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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 112

02/10/2025

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The bill was read for the first time and referred to the Committee on Workforce, Labor, and Economic Development Finance and Policy

1.1 A bill for an act
1.2 relating to economic development; modifying the definition of financial assistance
1.3 to include certain tax increment financing or allocations of low-income housing
1.4 credits; expanding the definition of project; amending Minnesota Statutes 2024,
1.5 sections 116J.871, subdivision 1; 177.42, subdivision 2.

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

1.7 Section 1. Minnesota Statutes 2024, section 116J.871, subdivision 1, is amended to read:

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have
1.9 the meanings given them.

1.10 (b) "Economic development" means financial assistance provided to a person directly
1.11 or to a local unit of government or nonprofit organization on behalf of a person who is
1.12 engaged in the manufacture or sale of goods and services. Economic development does not
1.13 include (1) financial assistance for rehabilitation of existing housing; (2) financial assistance
1.14 for new housing construction in which total financial assistance at a single project site is
1.15 less than \$100,000; or (3) financial assistance for the new construction of fully detached
1.16 single-family affordable homeownership units for which the financial assistance covers no
1.17 more than ten fully detached single-family affordable homeownership units. For purposes
1.18 of this paragraph, "affordable homeownership" means housing targeted at households with
1.19 incomes, at initial occupancy, at or below 115 percent of the state or area median income,
1.20 whichever is greater, as determined by the United States Department of Housing and Urban
1.21 Development.

1.22 (c) "Financial assistance" means (1) a grant awarded by a state agency or allocating
1.23 agency for economic development related purposes if a single business receives \$200,000

2.1 or more of the grant proceeds; (2) a loan or the guaranty or purchase of a loan made by a  
 2.2 state agency or allocating agency for economic development related purposes if a single  
 2.3 business receives \$500,000 or more of the loan proceeds; ~~or~~ (3) a reduction, credit, or  
 2.4 abatement of a tax assessed under chapter 297A where the tax reduction, credit, or abatement  
 2.5 applies to a geographic area smaller than the entire state and was granted for economic  
 2.6 development related purposes; (4) tax increment financing pursuant to chapter 469 or special  
 2.7 law, provided that such tax increment financing (i) provides financial assistance to a  
 2.8 development that consists, in part or in whole, of 25 units or more of multifamily housing,  
 2.9 or (ii) provides \$100,000 or more of financial assistance to a development; or ~~(4)~~ (5)  
 2.10 allocations or awards of low-income housing credits by all allocating agencies as provided  
 2.11 in section 462A.222, for which tax credits are used for multifamily housing projects  
 2.12 consisting of more than ten units. Financial assistance does not include payments by the  
 2.13 state of aids and credits under chapter 273 or 477A to a political subdivision.

2.14 (d) "Project site" means the location where improvements are made that are financed in  
 2.15 whole or in part by the financial assistance; or the location of employees that receive financial  
 2.16 assistance in the form of employment and training services as defined in section 116L.19,  
 2.17 subdivision 4, or customized training from a technical college.

2.18 (e) "State agency" means any agency defined under section 16B.01, subdivision 2,  
 2.19 Enterprise Minnesota, Inc., and the Department of Iron Range Resources and Rehabilitation.

2.20 (f) "Allocating agency" has the meaning given in section 462A.221, subdivision 1a.

2.21 **EFFECTIVE DATE.** This section is effective for financial assistance provided after  
 2.22 August 1, 2025.

2.23 Sec. 2. Minnesota Statutes 2024, section 177.42, subdivision 2, is amended to read:

2.24 Subd. 2. **Project.** "Project" means demolition, erection, construction, alteration,  
 2.25 improvement, restoration, remodeling, or repairing of a public building, structure, facility,  
 2.26 land, or other public work, which includes any work suitable for and intended for use by  
 2.27 the public, or for the public benefit, financed in whole or part by state funds. Project also  
 2.28 includes demolition, erection, construction, alteration, improvement, restoration, remodeling,  
 2.29 or repairing of a building, structure, facility, land, or public work when:

2.30 (1) the acquisition of property, predesign, design, or demolition is financed in whole or  
 2.31 part by state funds; or

2.32 (2) the project is owned by a city, county, or school district and the materials and supplies  
 2.33 used or consumed in and equipment incorporated into the construction, reconstruction,

- 3.1 upgrade, expansion, renovation, or remodeling of the project qualify for an exemption from
- 3.2 sales and use tax under chapter 297A or special law.