

State of Minnesota

H. F. No. **4689**

1.1 A bill for an act

1.2 relating to taxation; providing grants to local governments; providing income tax

1.3 subtractions for certain business assistance; requiring a report; appropriating money.

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

1.5 Section 1. **INCOME TAX SUBTRACTION; COVID BUSINESS ASSISTANCE**

1.6 **PROGRAMS.**

1.7 **Subdivision 1. Definitions.** For the purposes of this section:

1.8 (1) for an individual, estate, or trust, "subtraction" has the meaning given in Minnesota

1.9 Statutes, section 290.0132, subdivision 1, and the rules in that subdivision apply for this

1.10 section;

1.11 (2) for a corporation other than an S corporation, "subtraction" has the meaning given

1.12 in Minnesota Statutes, section 290.0134, subdivision 1, and the rules in that subdivision

1.13 apply for this section;

1.14 (3) the definitions in Minnesota Statutes, section 290.01, apply for this section; and

1.15 (4) "qualifying business assistance" means grants, forgivable loans, and other financial

1.16 assistance to businesses by the state, county, or local government that were included in

1.17 adjusted gross income, and that meet the criteria in subdivision 4.

1.18 **Subd. 2. Business assistance subtraction; individuals, estates, and trusts.** For an

1.19 individual, estate, or trust, the amount of qualifying business assistance is a subtraction.

1.20 **Subd. 3. Business assistance subtraction; C corporations.** For a corporation other

1.21 than an S corporation, the amount of qualifying business assistance is a subtraction.

2.1 Subd. 4. **Programs eligible for a subtraction.** Only qualifying business assistance
2.2 provided under the following sections of state or federal law is considered qualifying business
2.3 assistance for the purposes of this section:

2.4 (1) business assistance provided under section 2;

2.5 (2) forgivable loans under Executive Order No. 20-15;

2.6 (3) small business relief grants under Laws 2020, First Special Session chapter 1, section
2.7 4;

2.8 (4) business relief payments under Laws 2020, Seventh Special Session chapter 2, article
2.9 1;

2.10 (5) grants to movie theaters and convention centers under Laws 2020, Seventh Special
2.11 Session chapter 2, article 4;

2.12 (6) county relief grants to local businesses under Laws 2020, Seventh Special Session
2.13 chapter 2, article 5;

2.14 (7) grants through the Main Street Economic Revitalization Program in Laws 2021, First
2.15 Special Session chapter 10, article 2, section 5;

2.16 (8) main street COVID-19 relief grants under Laws 2021, First Special Session chapter
2.17 10, article 2, section 22;

2.18 (9) forgivable loans under Laws 2021, First Special Session chapter 10, article 2, section
2.19 24;

2.20 (10) financial assistance to businesses provided by a county, city, or township using
2.21 funds from the Coronavirus Relief Fund under section 5001 of Public Law 116-136; or

2.22 (11) financial assistance to businesses provided by a county, city, or township using
2.23 funds from the State and Local Fiscal Recovery Fund in section 9901 of Public Law 117-2.

2.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
2.25 after December 31, 2019.

2.26 Sec. 2. **COUNTY PANDEMIC BUSINESS AND COMMUNITY RELIEF AID;**
2.27 **APPROPRIATION.**

2.28 Subdivision 1. **Appropriation.** (a) \$..... in fiscal year 2023 is appropriated from the
2.29 general fund to the commissioner of revenue for payments to counties under this section.

2.30 This is a onetime appropriation.

(b) Of the amount under paragraph (a), \$..... must be used for payments to counties for economic assistance and aid to businesses under subdivision 2.

(c) Of the amount under paragraph (a), \$..... must be used for payments to counties to provide rental assistance under subdivision 6.

(d) Any unexpended amount from the appropriation in paragraph (a) after June 30, 2023, is canceled.

Subd. 2. **Economic assistance and aid to local businesses.** (a) From the amount available under subdivision 1, paragraph (b), each county shall be issued a payment of a per capita amount determined by reference to the population of each county according to the most recently available 2020 population estimate from the state demographer as of January 1, 2022.

(b) A county must use funds received under paragraph (a) to provide economic assistance to underserved communities under subdivision 3, aid to businesses under subdivision 4, or aid to venues under subdivision 5. A county may use funds for one or more of the approved uses in subdivisions 3, 4, and 5.

(c) Each county may use the greater of \$6,250 or 2.5 percent of the total amount received under this subdivision for administrative costs incurred from making payments under this subdivision. A county may contract with a third party to administer the program on behalf of the county.

(d) Payments under this subdivision must be awarded by March 15, 2023.

Subd. 3. **Economic assistance to underserved communities.** (a) A county may use funds received under subdivision 2 to provide economic assistance to businesses. Economic assistance under this paragraph must be provided to businesses located in areas designated by the county as underserved communities. Economic assistance includes but is not limited to:

(1) grants, loans, or other financial assistance to businesses that pay their employees a living wage;

(2) grants, loans, or other financial assistance to improve streetscapes or engage in creative placemaking;

(3) down payment assistance for businesses seeking to purchase commercial property; or

(4) payments to commercial property owners to reduce rent costs for businesses.

(b) To provide economic assistance to businesses under paragraph (a), a county must designate census tracts representing five percent or less of the population in the county as "underserved communities." In making a designation under this subdivision, the county must consider the following characteristics of a census tract, among other considerations deemed relevant by the county:

(1) the unemployment rate;

(2) the poverty rate;

(3) the median income of the tract relative to the rest of the county; and

(4) the number of vacant commercial properties.

Subd. 4. **Aid to businesses without income in 2019.** A county may use funds received under subdivision 2 to provide economic assistance to businesses that were in operation in calendar year 2020 or 2021, but not in calendar year 2019, and were ineligible to participate in a state or federal business assistance program due to the lack of operations or revenue in calendar year 2019. Economic assistance includes but is not limited to grants, loans, or any other financial assistance deemed appropriate by the county.

Subd. 5. **Aid to venues.** (a) A county may use funds received under subdivision 2 to provide grants to Minnesota-registered businesses in good standing or Minnesota-registered nonprofits in good standing that:

(1) are directly engaged in the procurement, promotion, production, or presentation of live entertainment events to an in-person audience; and

(2) experienced a decrease in revenues due to the COVID-19 pandemic.

(b) To qualify for a grant under this subdivision, a business or nonprofit must:

(1) meet the following revenue requirements:

(i) have derived at least 33 percent of its 2019 revenue from the sale of tickets for live events; or

(ii) be directly reliant on ticketed live entertainment events but not directly in receipt of those ticket revenues because the event is free to the general public and the revenue is derived from avenues other than ticket sales;

(2) employ no more than 60 full-time equivalent employees, defined as an employee who worked on average at least 30 hours per week or 130 hours per month;

(3) have been restricted from operating above 25 percent capacity or 250 attendees, whichever is less, pursuant to an executive order issued during a peacetime emergency declared regarding the infectious disease known as COVID-19;

(4) not have any current tax delinquency with the Department of Revenue at the time of application; and

(5) have its principal place of business in Minnesota.

(c) The following entities are ineligible for grants under this subdivision:

(1) bars, restaurants, and other facilities whose primary source of revenue is not entertainment events;

(2) multinational or publicly owned companies; and

(3) adult entertainment operations.

(d) Notwithstanding the requirements of paragraph (b), a county may authorize a grant to a business under this subdivision if the county determines that the business has substantially met the requirements of this subdivision, but was a new entertainment venue that had planned on opening in 2020 but was unable to begin operations based solely on the fact that COVID-19-related closures prevented the business from doing so. The business shall submit, on a form required by the county, any documentation the county deems necessary to determine whether the business applies for a discretionary grant under this subdivision.

Subd. 6. Rental assistance payments. (a) From the amount available under subdivision 1, paragraph (c), each county shall be issued a payment equal to the product of the amount available under subdivision 1, paragraph (c), multiplied by the number of rent-burdened households in the county, divided by the number of rent-burdened households in the state. The number of rent-burdened households shall be determined using the 2020 experimental estimates provided by the American Community Survey of the United States Census Bureau.

(b) For the purposes of this subdivision, the following terms have the meanings given:

(1) "eligible household" means a household in which household income is at or below 50 percent of area median income, as adjusted for household size;

(2) "rent-burdened household" means a household in which gross rent is 30 percent or more of household income; and

(3) "rental assistance" means payments for:

(i) rent;

6.1 (ii) rental arrears;
6.2 (iii) utilities and home energy costs;
6.3 (iv) utilities and home energy costs arrears; and
6.4 (v) other expenses related to housing incurred due, directly or indirectly, to the novel
6.5 coronavirus disease COVID-19 outbreak.

6.6 (c) A county receiving a payment under this subdivision must spend at least 90 percent
6.7 of the payment received to provide rental assistance to eligible households.

6.8 (d) A county receiving a payment under this subdivision may use up to ten percent of
6.9 the payment received for administrative costs attributable to providing rental assistance.

6.10 (e) A county receiving aid under this subdivision may distribute the aid to a community
6.11 action agency or a nonprofit to provide rental assistance to eligible households.

6.12 Subd. 7. **Grants.** Grants and the process of making grants under this section are exempt
6.13 from the following statutes and related policies: Minnesota Statutes, sections 16A.15,
6.14 subdivision 3; 16B.97; and 16B.98, subdivisions 5, 7, and 8. A county opting to use a third
6.15 party to administer grants is exempt from Minnesota Statutes, section 471.345, in the
6.16 selection of the third-party administrator. The exemptions under this paragraph expire on
6.17 March 15, 2023.

6.18 Subd. 8. **Report.** By January 31, 2024, the commissioner of revenue shall report to the
6.19 legislative committees with jurisdiction over taxes on the grants provided under this section.
6.20 The report must comply with Minnesota Statutes, sections 3.195 and 3.197. By July 1, 2023,
6.21 each county must report to the commissioner of revenue how the county used the funds
6.22 provided under this section.