

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 783

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DATE
02/09/2017

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552 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to the state general tax; exempting certain improvements made by a
1.3 qualified business; amending Minnesota Statutes 2016, sections 116J.8738,
1.4 subdivisions 2, 4; 275.025, subdivisions 2, 4.

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

1.6 Section 1. Minnesota Statutes 2016, section 116J.8738, subdivision 2, is amended to read:

1.7 Subd. 2. **Qualified business.** (a) A business is a qualified business if it satisfies the
1.8 requirement of this paragraph and is not disqualified under the provisions of paragraph (b).
1.9 To qualify, the business must:

1.10 (1) have operated its trade or business in ~~a city or cities in greater~~ Minnesota for at least
1.11 one year before applying under subdivision 3;

1.12 (2) be operating its trade or business in a city or cities in greater Minnesota at the time
1.13 of applying under subdivision 3;

1.14 ~~(2)~~ (3) pay or agree to pay in the future each employee compensation, including benefits
1.15 not mandated by law, that on an annualized basis equal at least ~~120~~ 110 percent of the federal
1.16 poverty level for a family of four;

1.17 ~~(3)~~ (4) plan and agree to expand its employment in one or more cities in greater Minnesota
1.18 by the minimum number of employees required under subdivision 3, paragraph (c); and

1.19 ~~(4)~~ (5) have received certification from the commissioner under subdivision 3 that it is
1.20 a qualified business.

1.21 (b) A business is not a qualified business if it is either:

2.1 (1) primarily engaged in making retail sales to purchasers who are physically present at
2.2 the business's location or locations in greater Minnesota;

2.3 (2) a public utility, as defined in section 336B.01; or

2.4 (3) primarily engaged in lobbying; gambling; entertainment; professional sports; political
2.5 consulting; leisure; hospitality; or professional services provided by attorneys, accountants,
2.6 business consultants, physicians, or health care consultants.

2.7 (c) The requirements in paragraph (a) that the business's operations and expansion be
2.8 located in a city do not apply to an agricultural processing facility.

2.9 Sec. 2. Minnesota Statutes 2016, section 116J.8738, subdivision 4, is amended to read:

2.10 Subd. 4. **Available tax incentives.** (a) A qualified business is entitled to a sales tax
2.11 exemption, up to \$2,000,000 annually and \$10,000,000 during the total period of the
2.12 agreement, as provided in section 297A.68, subdivision 44, for purchases made during the
2.13 period the business was certified as a qualified business under this section. The commissioner
2.14 has discretion to set the maximum amounts of the annual and total sales tax exemption
2.15 allowed for each qualifying business as part of the business subsidy agreement.

2.16 (b) Any improvements to real property owned or leased by a qualified business during
2.17 the period the business is certified as a qualified business under this section is not subject
2.18 to the state general tax under section 275.025, provided that the improvement is used in the
2.19 conduct of the trade or business of the qualified business.

2.20 (c) Notwithstanding section 116J.871, businesses receiving a sales tax exemption under
2.21 paragraph (a) are only required to pay the prevailing wage under section 116J.871 in calendar
2.22 years where the value of the exemption exceeds \$200,000.

2.23 (d) A qualified business that declines the sales tax exemption under paragraph (a), but
2.24 elects another tax incentive under this section, is not subject to the prevailing wage
2.25 requirements of section 116J.871.

2.26 **EFFECTIVE DATE.** Paragraphs (a), (c), and (d) are effective August 1, 2017. Paragraph
2.27 (b) is effective for assessments beginning in 2017.

2.28 Sec. 3. Minnesota Statutes 2016, section 275.025, subdivision 2, is amended to read:

2.29 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,
2.30 "commercial-industrial tax capacity" means the tax capacity of all taxable property classified
2.31 as class 3 or class 5(1) under section 273.13, except for electric generation attached machinery

3.1 under class 3 and property described in section 116J.8738, subdivision 4, paragraph (b), or
3.2 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured
3.3 net tax capacity of a tax increment financing district under section 469.177, subdivision 2,
3.4 the net tax capacity of transmission lines deducted from a local government's total net tax
3.5 capacity under section 273.425, or fiscal disparities contribution and distribution net tax
3.6 capacities under chapter 276A or 473F.

3.7 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2017.

3.8 Sec. 4. Minnesota Statutes 2016, section 275.025, subdivision 4, is amended to read:

3.9 Subd. 4. **Apportionment and levy of state general tax.** Ninety-five percent of the state
3.10 general tax must be levied by applying a uniform rate to all commercial-industrial tax
3.11 capacity and five percent of the state general tax must be levied by applying a uniform rate
3.12 to all seasonal residential recreational tax capacity. The commercial-industrial share of the
3.13 levy must be reduced by a fraction equal to the tax capacity of property defined under section
3.14 116J.8738, subdivision 4, paragraph (b), divided by the sum of (i) total statewide
3.15 commercial-industrial tax capacity plus (ii) the tax capacity of property defined under section
3.16 116J.8738, subdivision 4, paragraph (b). On or before October 1 each year, the commissioner
3.17 of revenue shall certify the preliminary state general levy rates to each county auditor that
3.18 must be used to prepare the notices of proposed property taxes for taxes payable in the
3.19 following year. By January 1 of each year, the commissioner shall certify the final state
3.20 general levy rate to each county auditor that shall be used in spreading taxes.

3.21 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.