

Subject Rebuilding areas damaged by civil unrest

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Overview

This bill provides state assistance to individuals, nonprofits, and businesses impacted by civil unrest in late May and early June of 2020.

Article 1: Promise Act

This article establishes the title for this act - the “Providing Resources, Opportunity, and Maximizing Investments in Striving Entrepreneurs (PROMISE) Act.

Article 2: Rebuilding General Development Programs

This article creates a program to assist areas affected by the recent civil unrest. It preserves existing entities and encourages new economic development in these areas through locally designed programs focused on providing grants and loans to businesses and nonprofits. It also sets baseline terms for this assistance while preserving significant flexibility for responding to local needs and requires monitoring of performance measures and annual reports to the legislature.

Section Description - Article 2: Rebuilding General Development Programs

- 1** **Civil unrest immediate relief program.**
Creates a program to assist areas affected by the recent civil unrest by providing a funding mechanism to meet local rebuilding needs.
- Subd. 1. Definitions.** Defines key terms for the program:
- Defines “eligible organization” as a federally certified community development financial institution or a nonprofit with experience working with businesses.

Section Description - Article 2: Rebuilding General Development Programs

- Defines “entity” very broadly to include any business or nonprofit organization that would receive a grant or loan under the program.

Subd. 2. Establishment. Directs the commissioner of employment and economic development to create a program to make grants to eligible organizations to develop their own local economic relief programs to serve the areas adversely impacted by the recent civil unrest addressed in governor’s Executive Order No. 20-64. Sets the primary goal of all such programs as preserving existing businesses and encouraging new entities to locate to those areas. Declares subordinate goals of providing outreach to cultural communities and special support to microenterprises and those harmed by the pandemic.

Subd. 3. Available relief. Requires an eligible organization to first develop a plan for its local program, including details on how the application process will work and the terms of assistance offered. Directs the commissioner of employment to review such plans for approval. Retains great flexibility to design these local programs to meet local needs, but sets some overall requirements:

- Caps grants at \$250,000 per entity and requires that the entity remain in the community for three years, submission of a plan for the entity’s continued operation, and a determination that a loan was not appropriate for that applicant.
- Caps loans at \$500,000 per entity and requires a plan for the entity’s continued operation. Allows loans to be with or without interest, deferred for up to three years, or forgivable. Requires entities to remain in the community for a minimum of three years for a loan to be deferred or forgivable. Sends all loan repayments back to the general fund.

Subd. 4. Monitoring and reporting. Specifies that eligible organizations must establish performance measures for each program that the commissioner must monitor for compliance. Requires an annual report of performance measures to the commissioner for a report to the legislature.

Subd. 5. Business subsidy requirements. Exempts this section from existing business subsidy requirements, though goals for job creation, job retention, wages, and benefits must be provided.

Subd. 6. Administrative costs. Allows the agency to use up to seven percent of the appropriation for this program for the administrative costs of the department and the participating eligible organizations.

Effective date: This section is effective the day following final enactment and expires the day after the last loan is repaid or forgiven.

Section Description - Article 2: Rebuilding General Development Programs

2 Civil unrest immediate relief program.

Makes a onetime appropriation to the commissioner of employment and economic development for the civil unrest immediate relief program outlined in section 1. Carves out a portion of that amount for land-banking activities. Allows the money to remain available until the end of calendar year 2021.

Effective date: This section is effective the day following final enactment.

Article 3: Tax Provisions for Affected Properties

This article provides sales tax exemptions and property tax relief for properties and businesses damaged or destroyed during the unrest in the cities included in the peacetime emergency declared in the governor's Executive Order No. 20-64.

Section Description - Article 3: Tax Provisions for Affected Properties

1 Properties destroyed or damaged during protests and unrest in May and June of 2020.

Provides a refundable sales tax exemption for the following:

- construction materials, supplies, and equipment for rebuilding or repair of damaged buildings, including purchases by contractors and subcontractors;
- replacement of capital equipment; and
- cleaning and disinfecting services related to smoke damage and graffiti.

The damage must have occurred during the period after May 24 and before June 16, 2020. To qualify for the exemption, the damaged or destroyed building must have been owned by, or occupied by, at least one of the following:

- a small business, defined by their annual gross income in the previous year;
- a nonprofit; or
- a qualifying low-income housing development

Both the building owner and building tenants at the time of the damage may apply for a refund on any qualifying purchases they make. It does not apply to purchases of a new owner if the building is sold. The exemption covers sales and purchases made after May 25, 2020, and before December 1, 2022. This provision is effective the day after final enactment.

Section Description - Article 3: Tax Provisions for Affected Properties

2 Tax collected.

Adds the refundable sales tax exemption in subdivision 1 to the list of sales tax exemptions subject to general rules on sales tax refunds. Effective the day after final enactment.

3 Refund; eligible persons.

States that only an owner or occupant of a building at the time of its damage or destruction may apply for a refund of sales taxes paid under section 1. Effective the day after final enactment.

4 Property tax relief for properties damaged by fire or vandalism.

This section provides property tax abatements and a five-year valuation freeze for properties that were damaged during the unrest in Minneapolis and St. Paul. This relief would be available to properties located in the area included in the peacetime emergency declared for the unrest (Executive Order No. 20-64) that sustained damage equal to at least 25 percent of the property's estimated market value.

Subd. 1. Definitions. Defines "qualifying property" as a property located in the area where the peacetime emergency was declared related to the unrest in Minneapolis and St. Paul that suffered damage equal to at least 25 percent of the property's value. Other terms are also defined in this section.

Subd. 2. Application. Requires the owner of a qualifying property to apply by an unspecified date for abatements under this section.

Subd. 3. Abatements. Requires county boards and the commissioner of revenue to grant abatements to qualifying properties for property taxes paid in 2020, provided that the property has not already received disaster abatements or credits that are available under current law. For properties with damage amounts between 25 percent and 50 percent of the property's value, the abatement would be equal to 50 percent of the net property tax paid in 2020. For properties with damage amounts of 50 percent or more, the abatement would be equal to 100 percent of the net property tax paid in 2020.

Subd. 4. Reassessment required. Requires assessors to reassess all damaged property for which an application was filed under this section. This reassessment would be used to determine each property's damage amount.

Subd. 5. Valuation increase prohibited. Freezes the estimated market value for property tax purposes of properties that qualify under this section. The estimated market value for damaged properties would be frozen at the reassessed value of the property after the damage occurred. This estimated market value would be frozen until assessment year 2025.

Section Description - Article 3: Tax Provisions for Affected Properties

Subd. 6. Reimbursement and appropriation. Appropriates from the general fund in fiscal year 2021 an amount necessary to reimburse local jurisdictions for abatements granted under this section.

Effective date: This section is effective the day following final enactment.



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