

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 251

DATE: February 5, 2001

Version: As Introduced

Authors: Mulder

Subject: Border City Development Zone Tax Incentives in Luverne

Analyst: Wendy Simons, 651-296-5052

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

Under Minnesota Statutes, there are provisions allowing border cities to establish enterprise zones where businesses may receive tax reductions for relocating and expanding their operations. The commissioner of trade and economic development is appropriated an amount of money that is in turn allocated among enterprise zones around the state to provide tax reductions. A border city is defined as a city with a contiguous border with a city in another state, or a city with a contiguous border with a city in Minnesota with a contiguous border with a city in another state.

Five cities on the western border of the state, Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville, receive special mention in statute. These cities receive an additional allocation of tax reductions from DTED in addition to the per capita tax reductions allocated to all border cities. In addition, the commissioner of revenue may waive the statutory limits on the amount of tax reductions in one of these five cities if the additional tax incentive is to attract or retain a business which would not occur otherwise. This waiver can only occur if the business in question will provide at least \$1,000,000 in capital investment, employ at least 25 new full-time employees, and pay wages exceeding the average wage for the county in which the city is located.

Businesses locating or expanding in border city development zones in one of these five cities may qualify for property tax exemptions, corporate franchise tax credits, and sales tax exemptions. These cities also have authority to extend some of these benefits to businesses located within their cities, but outside a development zone. To receive these tax reductions, a business must apply to the border city in which it is located. This bill would extend the authority already granted in statute to Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville to the city of Luverne.