

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 562

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Subject: Allocation for border city enterprise zones

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Overview

This bill provides \$1.5 million in additional border city enterprise zone credits for the four cities along the western border (Breckenridge, Dilworth, East Grand Forks, and Moorhead). These credits can be used to reduce any tax to retain an existing or attract a new business.

Section

- 1 **Additional enterprise zone allocations.** Directs the commissioner of the Department of Trade and Economic Development (DTED) to allocate \$1.5 million for additional border city enterprise zone credits for cities only the western border. These credits are to be allocated among the qualifying cities (Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville) on a per capita basis. Based on 1999 population, the \$1.5 million would be allocated among the cities approximately as follows:

Breckenridge	\$108,705
Dilworth	88,882
East Grand Forks	243,245
Moorhead	998,553
Ortonville	60,613

These enterprise zone credits can be used for a variety of tax reductions under present law:

- exemption for the sales tax on building materials and equipment
- an income tax credit of up \$3,000 for each additional employee hired
- an income tax credit for a percentage of debt financing to construct new or expanded facilities
- a state paid property tax credit

The bill also authorizes the allocations to be used for any other taxes imposed on businesses

located in the zone. The bill imposes a "but-for" type finding as a condition on the city awarding the tax reductions (i.e., the city must find that the reductions are needed to attract or retain the business).

Effective date. Day following final enactment.