

HOUSE RESEARCH

Bill Summary

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Authors: Savick

Subject: Modifies the Greater Minnesota Business expansion sales tax exemption

Analyst: Pat Dalton, 651-296-7434

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Overview

Modifies eligibility requirements, maximum exemption amounts, and allowed purchases under the sales tax exemption program for Greater Minnesota Business expansions passed during the 2013 legislative session. This sales tax exemption is included under a business subsidy agreement with DEED, with the tax paid upfront and a refund applied for. The program limits the amount of sales tax refunds paid under this program to \$7 million annually. The changes in this bill provide DEED with the ability to target the exemption better and ensure that it can be spread to more businesses across the state, rather than concentrated in a couple of firms.

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- 1 Qualified business.** Changes the business that can qualify for the sales tax exemption for Greater Minnesota business expansions to exclude a number of nonmanufacturing businesses including legal, accounting, and consulting services, and leisure, lodging, and health care businesses. Retail businesses and public utilities are already excluded. Effective the day after final enactment.
- 2 Certification of qualified businesses.** Simplifies the employment expansion requirements for qualifying for the sales tax exemption for Greater Minnesota business expansions. The required increase would be the greater of (1) two employees or (2) 10 percent of the business's current number of employees. Current law has various numbers depending on the firm's size at the time of the agreement. Effective the day after final enactment.
- 3 Available tax incentives.** Limits the sales tax exemption for any Greater Minnesota qualified business to \$2 million annually and a total of \$10 million. Allows the

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commissioner of DEED to negotiate the exemption for each business as part of the business subsidy agreement. Currently there is no limit to the amount of sales tax exemption going to any one business. Effective the day after final enactment.

- 4** **Greater Minnesota business expansions.** Requires that the sales tax exemption for Greater Minnesota business expansions only apply to purchases to be used at the facility in Greater Minnesota identified in the business subsidy agreement. Effective the day following final enactment.