MINNESOTA · REVENUE

VARIOUS TAXES
Limiting Tax Incentives for Retailers in JOBZones

March 25, 2004

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2316 (Mahoney) / S.F. 2478 (Moua) 1st Engrossment

	Revenue Gain or (Loss)			
	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007
		(000's)		
General Sales & Use Tax	$160	$360	$410	$520
Corporate Franchise Tax	$0	$30	$50	$80
General Fund Total	$160	$390	$460	$600

Effective the day following final enactment and applies to businesses entering a business subsidy agreement for a job opportunity building zone after that date.

EXPLANATION OF THE BILL

Current Law: Under provisions enacted in 2003, qualified businesses that operate in a job opportunity building zone, individuals who invest in a qualified business, and property located in a zone qualify for exemptions from the sales and use tax, income taxes, property tax, and also a jobs credit. A qualified business means a person carrying on a trade or business at a place of business located within a job opportunity building zone. The law specifies that the property tax exemption applies to commercial, industrial, and utility property.

Proposed Law: The proposal creates an exception to the definition of a qualified business in a job opportunity building zone. A business is not a qualified business if, at its location or locations in the zone, it is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

REVENUE ANALYSIS DETAIL

- Because there was no restriction on the type of business that would qualify, the estimates for the 2003 law change (revenue analysis for H.F. 3, 1st Engrossment, March 17, 2003) assumed that a portion of the projected costs for Job Opportunity Building Zones would be attributable to retail businesses. The estimates for this proposal are based on the same information.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2316(sf2478)-1.doc/nrg