MINNESOTA · REVENUE

VARIOUS TAXES
Biotechnology Zones – Tax Credit or Exemption Limit Increase

February 18, 2005

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

Department of Revenue
Analysis of S.F. 1024 (Rosen) / H.F. 1127 (Brod)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
	(000's)			
General Fund	($2,000)	$0	$0	$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: Current law provides for $1 million in state tax benefits to qualified businesses within the biotechnology and health sciences industry zone for FY 2004-2005. Qualified businesses are eligible for exemptions from the corporate franchise tax, sales and use tax, and state and local property taxes. Businesses are also eligible for two refundable credits against the corporate franchise tax – the research and development credit and the jobs credit. The limit on the state tax benefits is administered through a credit certificate program. Qualified businesses must apply for and receive a credit certificate in order to claim state tax benefits. The biotechnology zone includes three subzones of approximately 500 acres each in the cities of Minneapolis, Rochester, and St. Paul.

Proposed Law: The proposal authorizes $2 million in state tax benefits for biotechnology zone businesses in FY 2006. Any amounts not awarded in FY 2006 may be awarded in FY 2007. The state tax benefits would continue to be administered through the credit certificate program.

REVENUE ANALYSIS DETAIL

- It is assumed the full $2 million in state tax benefits would be awarded.
- According to the Department of Employment and Economic Development, three biotechnology businesses have negotiated approximately $650,000 in tax benefits for FY 2004-2005 to locate in the Minneapolis and St. Paul subzones, and it is probable that the full $1 million will be awarded before the end of FY 2005.

Number of Taxpayers: Currently three biotechnology zone businesses plus possible additional businesses.

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

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