

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2754

(SENATE AUTHORS: KUPEC and Johnson)		
DATE	D-PG	OFFICIAL STATUS
03/20/2025	920	Introduction and first reading
		Referred to Taxes
03/27/2025	1116	Author added Johnson

1.1

A bill for an act

1.2

relating to taxation; economic development; increasing allocation to the border

1.3

city enterprise zones; modifying tax reduction authority; removing restrictions;

1.4

amending Minnesota Statutes 2024, sections 469.169, subdivision 21; 469.171,

1.5

subdivisions 1, 4, 6, 6a; 469.1731, subdivision 1.

1.6

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7

Section 1. Minnesota Statutes 2024, section 469.169, subdivision 21, is amended to read:

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Subd. 21. **Additional border city allocations.** (a) In addition to the tax reductions

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authorized in subdivisions 12 to 20, the commissioner shall annually allocate ~~\$750,000~~

1.10

\$1,500,000 for tax reductions to border city enterprise zones in cities located on the western

1.11

border of the state. The commissioner shall allocate this amount among cities on a per capita

1.12

basis. Allocations made under this subdivision may be used for tax reductions under sections

1.13

469.171, 469.1732, and 469.1734, or for other offsets of taxes imposed on or remitted by

1.14

businesses located in the enterprise zone as provided by law, but only if the municipality

1.15

determines that the granting of the tax reduction or offset is necessary to retain a business

1.16

within or attract a business to the zone.

1.17

(b) The allocations under this subdivision do not cancel or expire, but remain available

1.18

until used by the city.

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EFFECTIVE DATE. This section is effective July 1, 2025.

1.20

Sec. 2. Minnesota Statutes 2024, section 469.171, subdivision 1, is amended to read:

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Subdivision 1. **Authorized types.** (a) The following types of tax reductions may be

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approved by the commissioner for businesses located in a border city enterprise zone, after

the governing body of the border city has designated an area or areas, ~~each consisting of at least 100 acres, of the city not in excess of a total of 400 acres~~ in which the tax reductions may be provided:

(1) an exemption from the general sales tax imposed by chapter 297A for purchases of construction materials or equipment for use in the zone if the purchase was made after the date of application for the zone;

(2) a credit against the income tax of an employer for additional workers employed in the zone, other than workers employed in construction, up to a maximum of ~~\$3,000~~ \$5,000 per employee per year;

(3) an income tax credit for a percentage of the cost of debt financing to construct new or expanded facilities in the zone; and

(4) a state paid property tax credit for a portion of the property taxes paid by a new commercial or industrial facility or the additional property taxes paid by an expansion of an existing commercial or industrial facility in the zone.

(b) An application for a tax reduction under this subdivision may not be approved unless the governing body finds that the construction or improvement of the facility is not likely to have the effect of transferring existing employment from a location outside of the municipality but within the state.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 3. Minnesota Statutes 2024, section 469.171, subdivision 4, is amended to read:

Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1) ~~a facility the primary purpose of which is one of the following: the provision of recreation or entertainment, or a private or commercial golf course, country club, massage parlor, tennis club, skating facility including roller skating, skateboard, and ice skating, racquet sports facility, including any handball or racquetball court, hot tub facility, suntan facility, or racetrack;~~ (2) property of a public utility; ~~(3) (2) property used in the operation of a financial institution; (4) or (3) property owned by a fraternal or veterans' organization; or (5) a retail food or beverage facility operating under a franchise agreement that requires the business to be located in this state.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

3.1 Sec. 4. Minnesota Statutes 2024, section 469.171, subdivision 6, is amended to read:

3.2 Subd. 6. **Additional border city ~~tax~~ reductions.** In addition to the ~~tax~~ reductions or
3.3 reimbursements authorized by subdivision 1, for a border city zone, the following types of
3.4 tax reductions may be approved:

3.5 (1) a credit against income tax for workers employed in the zone and not qualifying for
3.6 a credit under subdivision 1, paragraph (a), clause (2), subject to a maximum of \$1,500 per
3.7 employee per year;

3.8 (2) a state paid property tax credit for a portion of the property taxes paid by a commercial
3.9 or industrial facility located in the zone; and

3.10 (3) reimbursement of land acquisition costs for business expansion within the zone if
3.11 the municipality determines that expansion was necessary to prevent relocation outside the
3.12 state.

3.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.14 Sec. 5. Minnesota Statutes 2024, section 469.171, subdivision 6a, is amended to read:

3.15 Subd. 6a. **Additional border city allocations.** The commissioner may allocate \$2,000,000
3.16 for tax reductions pursuant to subdivision 9 to border city enterprise zones. This money
3.17 shall be allocated among the zones on a per capita basis. Tax reductions authorized by this
3.18 subdivision may not be allocated to any property which is:

3.19 ~~(1) a facility the primary purpose of which is one of the following: the provision of~~
3.20 ~~recreation or entertainment, or a private or commercial golf course, country club, massage~~
3.21 ~~parlor, tennis club, skating facility including roller skating, skateboard, and ice skating,~~
3.22 ~~racquet sports facility, including any handball or racquetball court, hot tub facility, suntan~~
3.23 ~~facility, or racetrack;~~

3.24 ~~(2)~~ (1) property of a public utility;

3.25 ~~(3)~~ (2) property used in the operation of a financial institution; or

3.26 ~~(4)~~ (3) property owned by a fraternal or veterans' organization; ;

3.27 ~~(5) property of a retail food or beverage service business operating under a franchise~~
3.28 ~~agreement that requires the business to be located in the state.~~

3.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.1 Sec. 6. Minnesota Statutes 2024, section 469.1731, subdivision 1, is amended to read:

4.2 Subdivision 1. **Designation.** To encourage economic development, to revitalize the
4.3 designated areas, to expand tax base and economic activity, and to provide job creation,
4.4 growth, and retention, the following border cities may designate, by resolution, areas of the
4.5 city as development zones after a public hearing upon 30-day notice.

4.6 (a) The city of Breckenridge may designate all or any part of the city as a zone.

4.7 (b) The city of Dilworth may designate ~~between one and six areas of the city as zones~~
4.8 ~~containing not more than 100 acres in the aggregate~~ all or any part of the city as a zone.

4.9 (c) The city of East Grand Forks may designate all or any part of the city as a zone.

4.10 (d) The city of Moorhead may designate ~~between one and six areas of the city as zones~~
4.11 ~~containing not more than 100 acres in the aggregate~~ all or any part of the city as a zone.

4.12 (e) The city of Ortonville may designate ~~between one and six areas of the city as zones~~
4.13 ~~containing not more than 100 acres in the aggregate~~ all or any part of the city as a zone.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.