

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 4988

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DATE
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Introduction and first reading
Referred to Jobs and Economic Development

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to economic development; establishing the Minnesota Strategic Industrial
1.3 Development Enhancement tax credits; authorizing rulemaking; proposing coding
1.4 for new law in Minnesota Statutes, chapter 116J.

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

1.6 Section 1. [116J.8739] MINNESOTA STRATEGIC INDUSTRIAL DEVELOPMENT
1.7 ENHANCEMENT ACT.

1.8 Subdivision 1. Definitions. (a) For purposes of this section, the terms in this subdivision
1.9 have the meanings given.

1.10 (b) "Eligible entity" means an entity incorporated and located in the state with a qualifying
1.11 project in a qualifying project location.

1.12 (c) "Project sponsor" means a local economic development organization or authority;
1.13 port authority; qualified industrial park; or terminal, switching, or Class II or III railroad.

1.14 (d) "Project tax credit amount" means the amount of tax credits allocated by the
1.15 Department of Employment and Economic Development to a qualifying project for qualified
1.16 economic development and initial infrastructure expenditures.

1.17 (e) "Qualified economic development expenditure" means an expenditure for land
1.18 improvements, building construction, building improvements and expansion, port terminal
1.19 improvements, and the purchase of certain machinery and equipment.

1.20 (f) "Qualified initial infrastructure expenditure" means an expenditure for new rail
1.21 infrastructure and improvements, which includes: the acquisition of right-of-way;
1.22 engineering; construction of new track such as industrial leads, switches, spurs, and sidings;

2.1 loading dock improvements; and transloading structures involved with providing rail service
2.2 to a qualifying project.

2.3 (g) "Qualifying project" means the new construction or expansion of an eligible entity
2.4 or the development of qualified initial infrastructure to serve an eligible entity in a qualifying
2.5 project location.

2.6 (h) "Qualifying project location" means a project located in an industrial park, economic
2.7 development zone, opportunity zone, or port located within a county in this state with a
2.8 population of less than 250,000 or a project located adjacent to a terminal, switching, or
2.9 Class II or III railroad as defined by the federal Surface Transportation Board.

2.10 Subd. 2. Credits allowed; limitation; carryover. (a) An eligible entity is allowed a
2.11 credit against the tax imposed under chapter 290 equal to 10 percent of qualified economic
2.12 development expenditures, not to exceed \$8,000,000 per qualifying project.

2.13 (b) An eligible entity is allowed a credit against the tax imposed pursuant to chapter 290
2.14 equal to 50 percent of qualified initial infrastructure expenditures, not to exceed \$4,000,000
2.15 per qualifying project.

2.16 (c) A project sponsor must submit a project application for an allocation of tax credits
2.17 under this section. The application must include a description of the qualifying project,
2.18 project location, detailed project costs, and a summary of expected economic benefits and
2.19 job creation.

2.20 (d) Projects are eligible to combine qualified economic development and qualified initial
2.21 infrastructure expenditures, but the total project tax credit amount must not exceed
2.22 \$10,000,000 per qualifying project in aggregate.

2.23 (e) The commissioner shall not allocate credits exceeding \$50,000,000 in a tax year.
2.24 Qualifying projects that have applied and are not allocated all or part of credit for qualified
2.25 economic development expenditures or qualified initial infrastructure expenditures are
2.26 eligible for credit in subsequent tax years.

2.27 (f) The tax credit under this section may not exceed an eligible entity's liability for tax.
2.28 If the amount of the credit for any taxable year exceeds this limitation, the excess is a credit
2.29 carryover to each of the five succeeding taxable years. The entire amount of the excess
2.30 unused credit for the taxable year is carried first to the earliest of the taxable years to which
2.31 the credit may be carried and then to each successive year to which the credit may be carried.
2.32 The amount of the unused credit which may be added under this paragraph must not exceed
2.33 the taxpayer's liability for tax, less the credit for the taxable year.

3.1 Subd. 3. **Program implementation.** (a) The Department of Employment and Economic
3.2 Development shall adopt rules to permit verification of the eligibility of a qualifying project
3.3 for the purpose of claiming the credits.

3.4 (b) The rules shall provide for the approval of qualified economic development
3.5 expenditures and qualified initial infrastructure expenditures prior to commencement of a
3.6 project and provide a certificate of verification upon completion of a project that uses
3.7 qualified economic development expenditures. The certificate of verification shall satisfy
3.8 all requirements of the Department of Revenue pertaining to the eligibility of the eligible
3.9 taxpayer claiming the credit.

3.10 Subd. 4. **Transferability; written agreement required; credit certificate.** (a) The
3.11 credits allowed under this section may be assigned to any taxpayer subject to income tax
3.12 in the state of Minnesota pursuant to chapter 290 by written agreement at any time during
3.13 the taxable year in which the credit is earned by the eligible entity or in the subsequent years
3.14 as allowed by subdivision 2, paragraph (f).

3.15 (b) The eligible taxpayer and the assignee must jointly file a copy of the written
3.16 assignment agreement with the Department of Revenue within 30 days of the assignment.
3.17 The written agreement must contain the name, address, and taxpayer identification number
3.18 of the parties to the assignment, the tax year the eligible taxpayer incurred the qualified
3.19 expenditures, the amount of credit being assigned, and the tax year or years for which the
3.20 credit may be claimed.

3.21 (c) The Department of Revenue may adopt rules, forms, and regulations as are necessary
3.22 to implement and administer this section and certify the tax credit amount generated by
3.23 each qualifying project annually.

3.24 Subd. 5. **Sunset.** This section expires January 1, 2034, for taxable years beginning after
3.25 December 31, 2033.

3.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.27 31, 2023.