

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Olson and others

**Subject:** Tax exemptions for privately owned and operated personal rapid transit systems

**Analyst:** Karen Baker, 651-296-8959; Pat Dalton, 651-296-7434; Joel Michael, 651-296-5057

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### Overview

This bill provides property, corporate franchise, and sales tax exemptions for privately owned and operated personal rapid transit (PRT) systems. It is intended to provide tax treatment for these systems that is similar to those of public owned and operated transit systems. To qualify for the exemptions, the PRT system must be operated independent of any government subsidy, except for reduced borrowing or capital costs, due to government bonds, direct loans, or similar financial assistance provided by a state or local government. The corporate franchise tax exemption is limited to 30 years after the system begins operations while the other exemptions have no expiration provisions.

#### Section

- 1**      **Property tax exemption; PRT.** Exempts all property used in the operation and support of a personal rapid transit (PRT) system from property taxation.  
  
          **Effective date:** Beginning for taxes payable in 2005.
- 2**      **Corporate franchise tax exemption.** Exempts a corporation engaged in operating a PRT system from corporate franchise tax on its PRT income. The exemption expires 30 years after the system begins operations.  
  
          **Effective date:** Beginning for tax year 2004.
- 3**      **Sales tax, definition of PRT.** Defines "personal rapid transit system" to mean a system:

## Section

- ▶ using computer controlled vehicles, providing on-demand, non-stop service for 1 to 3 passengers on a network of elevated guideways;
- ▶ providing service to the public on a regular and continuing basis; and
- ▶ operated without government subsidies, except for reduced borrowing or capital costs, due to government bonds, direct loans, or similar financial assistance provided by a state or local government.

This definition applies to all the tax exemptions authorized by the bill.

**Effective date:** Sales and purchases after June 30, 2004.

**4 Sales tax, PRT operations.** Exempts purchases to operate a PRT system. Types of purchases that qualify for the exemption include equipment, machinery, and supplies for:

- Vehicles, guideways, and related parts
- Computers and equipment used to control the system
- Machinery and equipment for the stations
- Machinery, equipment, and supplies used to maintain vehicles, guideways, and stations
- Electricity and other fuels used to operate the system, including those for heating, cooling, and lighting.

The exemption does not apply to purchases for non-production purchases (e.g., office furniture and supplies for the administrative offices of the PTR).

**Effective date:** Sales and purchases after June 30, 2004.

**5 Sales tax, capital equipment.** Exempts purchases used to construct a PRT system from the sales tax.

**Effective date:** Sales and purchases after June 30, 2004.