

# HOUSE RESEARCH

## Bill Summary

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### Overview

This bill repeals the corporate franchise tax, effective for tax year 2010, and restructures the tax incentives under the International Economic Development Zone (IEDZ) law so that they would apply to Delta Air Lines, Inc., if it completes the proposed merger with Northwest Airlines and relocates its headquarters to Minnesota. These incentives would provide Delta Air Lines with the following incentives for 12 years:

- A property tax exemption for its headquarters and related facilities and its operations at Minneapolis-St. Paul International Airport (MSP)
- A sales tax exemption for all of its purchases
- A 1%-jobs credit for the increase in its Minnesota payroll for the portion of the pay in excess of \$30,000 and less than \$100,000. This credit would be refundable. (This is comparable to the JOBZ jobs credit, except the JOBZ credit rate is 7%.)

The IEDZ tax incentive under the individual income tax would be repealed.

### Section

- 1 International economic development zone (IEDZ) property tax exemption.** Modifies the property tax exemption for IEDZ property to apply to an airline that meets the definition

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of a qualified business under section 0. This will exempt both the headquarters and the leased facilities at Minneapolis-St. Paul International Airport (MSP) of the airline.

**Effective date :** Property taxes payable in 2010

- 2 **Income tax subtraction.** Eliminates the income tax subtraction for IEDZ income. This reflects section 0's repeal of the IEDZ income tax exemption.
- 3 **Cross reference.** Eliminates a cross reference in the apportionment of income statute that is obsolete as a result of section 0's repeal of the IEDZ income tax exemption.
- 4 **Cross reference.** Eliminates a cross reference in the dependent care credit that is obsolete as a result of section 0's repeal of the IEDZ individual income tax exemption.
- 5 **Cross reference.** Eliminates a cross reference in the working family credit that is obsolete as a result of section 0's repeal of the IEDZ individual income tax exemption.
- 6 **Cross reference.** Eliminates a cross reference in the alternative minimum tax that is obsolete as a result of section 0's repeal of the IEDZ individual income tax exemption.
- 7 **Sales tax exemption.** Modifies the IEDZ sales tax exemption to apply to the airline operations and related activities of the qualified business under section 0.

**Effective date :** Sales made after June 30, 2009

- 8 **Definition of qualified business.** Modifies the definition of a qualified business under the IEDZ law so that it would apply to airline resulting from the proposed merger of Delta Air Lines and Northwest Airlines. This done by defining the qualified business as a business operating a scheduled airline with at least 70,000 employees that acquires an airline headquartered in Minnesota . This definition, in combination with the zone designation, in section 0, will provide Delta Air Lines (if it locates its headquarters in Minnesota) with the property tax and sales tax exemption and the jobs credit under the IEDZ law, as revised by the bill. In addition, to qualify the business must enter an agreement with the commissioner of the Department of Employment and Economic Development (DEED) agreeing to maintain its headquarters in Minnesota for at least 12 years.

**Effective date:** Day following final enactment

- 9 **Zone designation.** Modifies the authority to designate the IEDZ so that the zone consists of the headquarters of the Delta Air Lines/Northwest Airline merged entity and its operations at MSP.

**Effective date :** June 30, 2008

- 10 **IEDZ tax incentives.** Eliminates the individual and corporate tax exemptions that are available under the IEDZ law. Section 0 repeals the corporate franchise tax for all businesses and the individual income tax exemption under the IEDZ law.
- 11 **Jobs credit.** Reduces the credit rate of the refundable jobs credit from 7% to 1% and clarifies that it will apply to the entire airline operation of the qualified business in Minnesota . As a result of this expansion, it is unnecessary to distinguish between its zone and non-zone operations. (The bill's redefinition of the IEDZ provides that the incentives apply to all of its Minnesota airline operations.)

**Effective date :** Tax year 2010

- 12 **Jobs credit.** Changes a cross reference to reflect the amendments in section 0 and to reflect

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the elimination of the zone in the credit calculations.

**Effective date :** Tax year 2010

- 13 Repayment obligation.** Changes the reference to the repayment (often referred to as the “clawback”) agreement to reflect the amendments in 0.
- 14 Reporting requirement.** Eliminates the zone performance reporting requirements that apply to the air freight businesses under current law.
- 15 Airport governance study.** Creates a 12-member airport study commission to evaluate the governance structure of the Metropolitan Airports Commission and the operation of MSP. The study is intended to evaluate ways to make the airport operations more efficient with an ultimate goal of making it a residual airport that is more attractive as a base for airline operations. The commission would consist of 6 public members appointed by the Governor and 3 House members and 3 Senate members. The legislative members would be split 2-to-1 between the majority and minority caucuses. The commission is to report to the legislature in January 2010.
- 16 Revisor instructions.** Directs the Revisor to prepare a bill for introduction in the 2009 legislative session, which implements and proposes the necessary conforming amendments to the statutes for the repeal of the corporate franchise tax under section 0.
- 17 Repealer .** Repeals the corporate franchise tax and related provisions, effective for tax year 2010, and various provisions of IEDZ law that relate to the individual income tax exemption and the air freight and freight forwarder businesses, which under present law are the principal beneficiaries of the IEDZ incentives.