

**Subject** Rebuilding after the peacetime emergency – tax provisions

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### Overview

Provides sales tax exemptions and property tax relief for properties and businesses damaged or destroyed during the unrest in the cities included in the peacetime emergency declared in the governor's Executive Order No. 20-64.

## Summary

| Section | Description |
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| 1 | <b>Properties destroyed or damaged during protests and unrest in May and June of 2020.</b> |
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Provides a refundable sales tax exemption for the following:

- construction materials, supplies, and equipment for rebuilding or repair of damaged buildings, including purchases by contractors and subcontractors;
- replacement of capital equipment; and
- cleaning and disinfecting services related to smoke damage and graffiti.

The damage must have occurred during the period after May 24 and before June 16, 2020. To qualify for the exemption, the damaged or destroyed building must have been owned by, or occupied by, at least one of the following:

- a small business, defined by their annual gross income in the previous year;
- a nonprofit; or
- a qualifying low-income housing development.

Both the building owner and building tenants at the time of the damage may apply for a refund on any qualifying purchases they make. It does not apply to purchases of a new owner if the building is sold. The exemption covers sales and purchases made

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|         | after May 25, 2020, and before June 30, 2022. This provision is effective the day after final enactment.   |
| 2       | <b>Tax collected.</b><br>Adds the refundable sales tax exemption in subdivision 1 to the list of sales tax exemptions subject to general rules on sales tax refunds. Effective the day after final enactment.  |
| 3       | <b>Refund; eligible persons.</b><br>States that only an owner or occupant of a building at the time of its damage or destruction may apply for a refund of sales taxes paid under section 1. Effective the day after final enactment.  |
| 4       | <b>Property tax relief for properties damaged by fire or vandalism.</b><br>This section provides property tax abatements and a five-year valuation freeze for properties that were damaged during the unrest in Minneapolis and St. Paul. This relief would be available to properties located in the area included in the peacetime emergency declared for the unrest (Executive Order No. 20-64) that sustained damage equal to at least 25 percent of the property's estimated market value.<br><br><b>Subd. 1. Definitions.</b> Defines "qualifying property" as a property located in the area where the peacetime emergency was declared related to the unrest in Minneapolis and St. Paul, that suffered damage equal to at least 25 percent of the property's value, and which does not receive other disaster abatements or credits. Other terms are also defined in this section.<br><br><b>Subd. 2. Application.</b> Requires the owner of a qualifying property to apply by September 1, 2020, for abatements under this section.<br><br><b>Subd. 3. Abatements.</b> Requires county boards and the commissioner of revenue to grant abatements to qualifying properties for property taxes paid in 2020. For properties with damage amounts between 25 percent and 50 percent of the property's value, the abatement would be equal to 50 percent of the net property tax paid in 2020. For properties with damage amounts of 50 percent or more, the abatement would be equal to 100 percent of the net property tax paid in 2020.<br><br><b>Subd. 4. Reassessment required.</b> Requires assessors to reassess all damaged property for which an application was filed for an abatement under this section. This reassessment would be used to determine each property's damage amount.<br><br><b>Subd. 5. Valuation increase prohibited.</b> Freezes the estimated market value for property tax purposes of properties that qualify under this section. The |

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estimated market value for damaged properties would be frozen at the reassessed value of the property after the damage occurred. This estimated market value would be frozen until assessment year 2025.

**Subd. 6. Reimbursement and appropriation.** Appropriates from the general fund in fiscal year 2021 an amount necessary to reimburse local jurisdictions for abatements granted under this section. This section is effective the day following final enactment.



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