Overview

This bill grants border city development zone powers to the city of Luverne with an allocation for tax reductions of $183,000. This follows the powers given by the 1998 and 1999 legislatures to the cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville.

Section
1. **Luverne, Border city development zone.** Allows the city of Luverne to designate up to 6 areas of the city as border city development zones. Each area or zone is limited to no more than 100 acres.

The general law rules for border city development zones apply to these zones. The bill allocates $183,000 to the city to be used in providing tax reductions for the zones. This limit or cap on the zone tax reductions does not apply, if the commissioner of revenue waives the limit.

**Background.** The 1998 legislature enacted the border city development zone law for the cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville. This law allows those cities to provide tax benefits within these zones. These include a property tax exemption for newly constructed C/I property, a corporate franchise exemption, and a sales tax exemption for purchases of capital equipment. The property tax exemption does not apply to the debt service levy or school district taxes, other than the state equalized levies.

The amount of the tax benefits are limited to the dollar amount of the allocation. However, legislation enacted in the 1999 session allows the commissioner of revenue to waive this limit for certain large projects. In order to qualify for the waiver, four conditions must be met: (1) the project’s tax reductions must exceed the remaining amount of city allocation, (2) $1 million in new capital investment must be made, (3) the project must provide 25 or more new jobs, and (4) the jobs must pay wages above the average county wage.

Cities with border city development zones can also provide incentives to encourage new businesses to locate outside of the zones. These include a five year property tax exemption (or
an agreement to make payments in lieu of taxes for up to 20 years), individual or corporate franchise tax exemptions, sales tax exemptions for purchases of capital equipment, and a corporate tax credit based on a percentage of wages paid. These incentives are subject to the dollar limit of the allocation, but the waiver authority applies.

The city-by-city allocation for the original border city development zone cities was as follows:

Breckenridge  $394,000
Dilworth  118,200
East Grand Forks  788,000
Moorhead  591,000
Ortonville  78,800

**Effective date.** Effective upon local approval by the city of Luverne.