

APPROVED 1/23/08

City of Ortonville

Border City Enterprise Zone Tax Credit

Policy

Ortonville Economic Development Authority
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Ortonville, MN 56278
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**City of Ortonville
Enterprise Zone Credits Policy**

Purpose:

To provide business tax credits to qualifying businesses that are the source of job creation or retention in the City of Ortonville.

Types of Tax Credits

- Employee credits may be received for each new/retained employee.

Eligible Applicants.

Business owners.

Approving Authorities.

Ortonville City Council and Minnesota Department of Trade and Economic Development.

Funds Disbursement.

Through the State of Minnesota Department of Revenue via a state income tax refund.

Definition of Eligibility.

To be eligible to receive credits, applicants must fall within one of the categories defined as follows:

- **New Business:** Businesses that are newly established and have not previously operated in the Ortonville Enterprise Zone or a business which has been closed for more than 90 days. Ownership or name changes do not qualify under this category. To qualify, a business must have been established within twelve (12) months of the application date.
- **Retention of Existing Businesses:** These are defined as businesses currently operating in the Ortonville Enterprise Zone or a business which has not been closed greater than 90 days. Qualifying businesses must either be considering a relocation out of Ortonville or be in danger of suspending operations. **The application must clearly describe the effect of the requested tax credit assistance on the company's ability to remain in business or be retained in the Ortonville Enterprise Zone.**
- **Economic Growth of Existing Businesses:** Businesses which are currently operating in the Ortonville Enterprise Zone and are planning a capital expansion of existing facilities, construction of new facilities, or have created new jobs, may potentially qualify under this category.

Non-Eligible Business Types.

In accordance with Minnesota statute (469.166 to 469.173), facilities with the following as their primary purpose (defined as over 50% of the facility's revenue) are not eligible:

- Recreation or entertainment facility.
- Private or commercial golf courses.
- Country clubs.
- Massage parlors.
- Tennis clubs or racquet sports facilities.
- Skating facilities.
- Hot tub facilities.
- Suntan facilities.
- Race tracks.
- Public utilities.
- Churches or church-owned organizations, except that property held by a non-profit that is taxed and leased to an eligible business could be eligible for credit.
- Civic groups, social organizations, and service clubs.
- Financial institutions.
- Fraternal or veterans' organizations.
- Franchised retail food or beverage facility.
- Off sale liquor stores.

Eligibility Criteria

1. New Business

- All new businesses except non-eligible business types may qualify.
- Must complete a formal application for credits.
- Must create a minimum of one full-time equivalent position.
- Must provide Minnesota unemployment forms for the last four quarters (except where the position is a sole proprietor).

2. Retention of Existing Business

- Must document the need for assistance to remain a viable business in the Ortonville Enterprise Zone.
- Must complete a formal application for credits.
- Must retain a minimum of one full-time equivalent position.
- Must provide Minnesota unemployment forms for the last four quarters (except where the position is a sole proprietor).

3. Economic Growth of Existing Business

- Must identify job creation as a result of business expansion.
- Must complete a formal application for credits.
- Must create a minimum of one new full-time equivalent position.
- Must provide Minnesota unemployment forms for the last four quarters (except where the position is a sole proprietor).

Determination of Tax Credit Allocation Amount.

Each application is evaluated by the Border City Tax Committee and recommendations are forwarded to the City Council for approval and submission to DTED for final approval. The value of credits to be allocated, if any, is determined by the amount of credits remaining in the City's existing allocation from the State. The following guidelines will be used as a general basis for determining local tax credit allocation levels:

New Business & Economic Growth

- Credits for each full time equivalent job **created** is \$3,000 for all jobs.

Retention of Existing Business

- Same credits as may be received by a new business, except that employee credits will be for full time equivalent jobs **retained**.
- Maximum amount that may be received is \$7,500.

Recapture of Awarded Credits.

Minnesota statute requires that "Any business that (1) receives tax reductions... and (2) ceases to operate its facility located within the enterprise zone shall repay the amount of the tax reduction... received during the two years immediately before it ceased to operate in the zone.

Who to Contact.

Ortonville Economic Development Authority.

Application Form

Check one: New Business Retention of Existing Business Position Expansion of an Existing Business

Application Date:		
Name:		Position (Owner/Manager/Landlord)
Name of Business:		
Street		
City	State	Zip
Business Phone:	Home Phone:	Tax ID #
Brief Description and principle activity of the business:		
NEW BUSINESS or RETAINED BUSINESS: Complete the following section (for expansion of business positions, please go the next page)		
If new business, date business was opened:		
If retained business, estimated date business would close or relocate without this credit: (Also, complete retention description form on page 7)		
Number of full-time positions (employees that work 1,820 hours per week or more):		Total FT Positions
Number of part-time positions:	#	
Total # of hours worked by part-time positions (see below for example)	Hrs.	
Divide by 1,820 hours = full-time equivalent: (include fractions)		Total PT Equivalent
Full-time equivalent example: Position/Employee #1 worked 960 hours annually Position/Employee #2 worked 520 hours annually Position/Employee #3 worked 640 hours annually <p style="text-align: center;">2,120 Total PT hours divided by 1,820 = 1.16 Full time equivalent</p>		
Total number of positions (including fractions) that credits are being applied for - add the full-time positions and the full-time equivalent positions:		

Expansion of Business Positions - Complete the following Section		
Date of business expansion:		
# of full-time positions (work 1,820 hrs+ annually) before expansion:	a.	
# of full-time positions (work 1,820 hrs+ annually) after expansion:	b.	
# of new full-time positions created (the difference between a and b)		New full-time:
# of part-time positions before the expansion:		
Total # of hours worked by part-time positions before expansion: (see below for example)		
Divide by 1,820 hours = full-time equivalent: (include fractions)	PT Before	
# of part-time positions after the expansion:		
Total # of hours worked by part-time positions after expansion: (see below for example)		
Divide by 1,820 hours = full-time equivalent: (include fractions)	PT After	
Full-time equivalent example: Position/Employee #1 worked 960 hours annually Position/Employee #2 worked 520 hours annually Position/Employee #3 worked 640 hours annually 2,120 Total PT hours divided by 1,820 = 1.16 Full time equivalent		
# of new full-time equivalent positions created (the difference between PT Before & PT After)		New full-time equivalent
Total number of positions (including fractions) that credits are being applied for - add the new full-time positions and the new full-time equivalent positions:		

I hereby declare and certify that this application is true and correct to the best of my knowledge and belief. I further understand that if my business ceases to operate its facility within the enterprise zone within two years after the expiration of the tax reductions, I shall be required to repay the amount of the tax reduction or local contribution pursuant to the following schedule:

<u>Period in Operation</u>	<u>Repayment Required</u>
Less than 6 months	100 percent
6 months or more but less than 12 months	75 percent
12 months or more but less than 18 months	50 percent
18 months or more but less than 24 months	25 percent
More than 24 months	None

Signature of Applicant: _____ **Date:** _____

Note: Application must be accompanied by the last four (4) quarters Minnesota Unemployment forms. (Exception: sole proprietor)

