

**Border Cities  
Tax Credit Policy for Businesses**

City of East Grand Forks, Minnesota

Adopted: June 5, 2018

Amended: October 15, 2024

## **Policy Goals**

The City of East Grand Forks (the “City”) has established this Border City Tax Credit Policy (the “Policy”) to help promote Minnesota investment and economic development, increase the local tax base, and promote job retention and creation in the City. Funding for the program will be provided through the City’s Border City Development Zone established under Minn. Stat. Sections 469.166 through 469.1735, as amended (the “Act”).

## **Assistance Provided**

A new business in the City or an expanding business in the City may receive a one-year tax reduction or tax credit. The City may extend the tax reduction or credit for a period not to exceed five years, provided that the additional term of the benefit is appropriate to the particular needs of the business and benefits the community.

The assistance shall be provided in one of the following forms:

- A. For newly constructed facilities, a partial property tax reduction for property taxes based on the portion of the property taxes created by a new business in the City;
- B. For expanded business, a partial property tax reduction for additional property taxes created by an expansion to an existing business in the City; or
- C. A sales tax exemption for sales tax on construction materials or new machinery and equipment to be used at the newly constructed or expanded facility to be located within the City.

The assistance to be provided by this program, if any, is limited by the amount of credits remaining in the City’s existing Border City Enterprise Zone allocation from the State. Funds for this program are limited and will be awarded to qualifying applicants on a first-come, first-served basis.

## **Qualifying Businesses/Criteria for Assistance**

To receive assistance under this policy, an applicant must be a new business in the City, a business expanding within the City, or a business being retained by the City.

For an existing business, a qualifying business must either (i) make a minimum \$30,000 investment towards physical improvements to its property in the City; or (ii) make at least \$25,000 investment in equipment and to other assets and create one new full-time equivalent job in the City. The wage floor for wages to be paid for the jobs created or retained shall be greater of the minimum wage rate for assistance established by MnDEED under its MIF lending guidelines or 100% of the State minimum wage in effect at the time the subsidy is granted. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.

One additional year of tax credits may be approved for each \$500,000 of capital investment, to retain one or more full-time equivalent job(s) that meet the above criteria, or to retain a primary or secondary business.

Prior to consideration of this application by the City, a business must request and receive a tax clearance letter from the Minnesota Department of Revenue. The tax clearance letter received from the Minnesota Department of Revenue must affirmatively establish that, as of the date of the application, the business owner does not owe delinquent income or sales tax pursuant to Minnesota Statutes, Chapters 290, 296A, 297A, 297B, 197For 297G. In addition, qualifying businesses and their owners and principals shall not owe property taxes to the City or to Polk County.

### **Required Findings**

The business must declare that it could have invested the money outside the state of Minnesota but chose to invest in the City.

Granting of the tax credit is subject to approval by the City Council after a finding that the granting of the tax reduction or offset is necessary to retain a business within the City or attract a business to the City.

Tax reductions must be approved by the Commissioner of the Minnesota Department of Employment and Economic Development.

### **Process**

The business must submit an application to the City. The application shall become the property of the City and is subject to Minnesota Statutes, Chapter 13 (the Government Data Practices Statute). Upon submittal of an application to the City, the applicant shall pay the City an application fee of \$100.00 for each year of tax credits sought.

The business must meet all qualifications set forth in Minnesota Statutes, Sections 469.1731 through 469.1735, as amended.

In accordance with Minnesota Statutes, Section 469.1734, subdivision 7, as amended, before any assistance is provided pursuant to this policy, notice must be provided to competitors of the applicant. To meet this requirement, two notices regarding the assistance must be published in the official newspaper of the City at least one week apart not less than 15 days nor more than 30 days prior to the date the City Council will consider approving the assistance.

The assistance must be approved by the Minnesota Department of Employment and Economic Development and the City Council.

Business relocating to the City from within Polk County are subject to the requirements of Minnesota Statutes, Section 469.1733, subdivision 2, as amended. Business relocating to the City from a location within Minnesota but outside of Polk County are subject to the requirements of Minnesota Statutes, Section 469.1733, subdivision 3, as amended.

If obtaining a sales tax exemption under Minnesota Statutes, Section 469.1734, subdivision 5, the business must apply to the City for a tax credit certificate in accordance with Minnesota Statutes, Section 469.1735, subdivision 1.

The City reserves the right to approve or reject projects on a case-by-case basis, taking into consideration established policies. Meeting policy criteria does not guarantee the award of business assistance to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

The City can deviate from this policy for projects that supersede the objectives identified herein.

### **Repayment**

A business receiving the tax credit must maintain its operations in the City for 5 years. If the business leaves the City before the expiration of the 5-year period, it must repay the full amount of assistance provided pursuant to this policy.

This policy replaces the City's prior Enterprise Zone Credit Criteria policy.