

## S.F. No. 68 – Temporary credit; closed or reduced operating capacity businesses

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This bill provides an income or corporate franchise tax credit for businesses required to close or operate at reduced capacity under executive orders relating to the COVID-19 pandemic. The credit is based on the number of months the business was subject to an executive order to close or operate at reduced capacity and the reduction in capacity required under an executive order. Effective for tax years 2020 and 2021.

### Section 1. Temporary tax credit for businesses required to close or operate at reduced capacity.

**Subd. 1. Definitions.** Defines terms relevant to the credit. In pertinent part:

“**Average annual reduced capacity**” means the **average monthly reduced capacity** multiplied by the **executive order impact quotient**.

“**Average monthly reduced capacity**” means the lowest level of reduced capacity each month that reduced capacity was required, divided by the number of months the taxpayer was required to operate at reduced capacity.

“**Executive order impact quotient**” means the number of full or partial months (rounded up to a whole number) that a qualifying taxpayer is subject to an executive order requiring its business to operate at reduced capacity, divided by 12.

“**Qualifying taxpayer**” means a taxpayer whose business: 1) was closed under Executive Order No. 20-04 (temporary closure of places of public accommodation) as extended, amended or otherwise modified by a subsequent executive order; and 2) was subject to Executive Order No. 20-74 (partial re-opening of places of public accommodation) as extended, amended or otherwise modified by a subsequent executive order.

**Subd. 2. Credit allowed.** Allows a credit equal to the taxpayer’s tax liability, multiplied by the average annual reduced capacity. Requires taxpayers to certify average annual reduced capacity, average monthly reduced capacity, and executive order impact quotient when claiming the credit.

**Subd. 3. Partnerships; multiple owners.** Requires credits granted or transferred to a pass-through entity to be passed through to partners, members, shareholders, or owners on a pro-rata basis according to their share of the entity’s assets, or as otherwise provided in an organizational document.

**Subd. 4. Limitation.** Provides that the credit is nonrefundable and may not be carried forward.