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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 292

02/04/2013 Authored by Ward, J.E.; Persell; Davids; Hamilton and Lien

The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance and Policy

1.1 A bill for an act
1.2 relating to workforce development; establishing a new jobs training program;
1.3 providing a credit against withholding tax liability; establishing accounts;
1.4 appropriating money; proposing coding for new law in Minnesota Statutes,
1.5 chapter 116L.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. **[116L.40] DEFINITIONS.**

1.8 Subdivision 1. **Scope.** When used in sections 116L.40 to 116L.44, the following
1.9 terms have the meanings given them unless the context requires otherwise.

1.10 Subd. 2. **Agreement.** "Agreement" means the agreement between an employer and
1.11 the commissioner for a project.

1.12 Subd. 3. **Commissioner.** "Commissioner" means the commissioner of employment
1.13 and economic development.

1.14 Subd. 4. **Employee.** "Employee" means the individual employed in a new job.

1.15 Subd. 5. **Employer.** "Employer" means the individual, corporation, partnership,
1.16 limited liability company, or association providing new jobs and entering into an agreement.

1.17 Subd. 6. **New job.** "New job" means a job:

1.18 (1) that is provided by a new or expanding business at a location outside of the
1.19 metropolitan area, as defined in section 473.121, subdivision 2;

1.20 (2) that provides 32 hours of work per week for a minimum of nine months of the
1.21 year and is permanent with no planned termination date;

1.22 (3) that is certified by the commissioner as qualifying under the program before the
1.23 first employee is hired to fill the job; and

(4) for which an employee hired was not (i) formerly employed by the employer in the state or (ii) a replacement worker, including a worker newly hired as a result of a labor dispute.

Subd. 7. **Jobs credit.** "Jobs credit" or "credit" means the credit under section 116L.42.

Subd. 8. **Program.** "Program" means the project or projects established under sections 116L.40 to 116L.44.

Subd. 9. **Program costs.** "Program costs" means all necessary and incidental costs of providing program services. The term does not include the cost of purchasing equipment to be owned or used by the training or educational institution or service.

Subd. 10. **Program services.** "Program services" means training and education specifically directed to new jobs, determined to be appropriate by the commissioner, including in-house training; services provided by institutions of higher education; federal, state, or local agencies; or private training or educational services. Administrative services and assessment and testing costs are included.

Subd. 11. **Project.** "Project" means a training arrangement that is the subject of an agreement entered into between the commissioner and an employer to provide program services.

Sec. 2. [116L.41] COMMISSIONER'S DUTIES AND POWERS; AGREEMENTS.

Subdivision 1. **Service provision.** Upon request, the commissioner shall provide or coordinate the provision of program services to businesses eligible for grants under sections 116L.40 to 116L.44.

Subd. 2. **Agreements; required terms.** (a) The commissioner may enter into an agreement to establish a project with an employer that:

- (1) identifies program costs to be paid from sources under the program;
- (2) provides for a guarantee by the employer of payment for program costs;
- (3) provides that any deferral of program cost payments may not exceed ten years after execution of the agreement;
- (4) provides that on-the-job training costs for employees may not exceed 50 percent of the annual gross wages and salaries of the new jobs in the first full year after execution of the agreement;
- (5) provides that each employee must be paid wages of at least \$13 per hour, plus benefits, by the end of the first year of employment under the project and through the period in which funding under the program applies; and

(6) provides that job training will be provided for each job category and the length of time of training.

(b) The agreement may provide, at the election of the employer, that program costs will be directly reimbursed by a grant from the commissioner, rather than as a tax credit under section 116L.42. The maximum amount of such a grant is limited to 90 percent of the amount of the tax credit that otherwise would apply.

(c) Before entering a final agreement, the commissioner shall:

(1) determine that sufficient funding authority for the project is available under section 116L.44; and

(2) investigate the applicability of other training programs and determine whether the job skills partnership grant program is a more suitable source of funding for the training and the training can be completed in a timely manner that meets the needs of the business.

The investigation must be completed within 15 days or as soon as reasonably possible after the employer has provided the commissioner with all the requested information.

Subd. 3. Agreement required; notification. An agreement may not be executed by the commissioner unless funding is available and the commissioner has awarded the project a grant under section 116L.43. Upon execution of the agreement, the commissioner shall notify the commissioner of revenue of the agreement and the identity of the employer, if the agreement provides for a jobs tax credit.

Subd. 4. Allocation of limit. The commissioner shall allocate funding authority for credits under section 116L.44 or to direct grants elected by employers under subdivision 2, paragraph (b), to project applications based on a first-come first-served basis, determined on the basis of the commissioner's receipt of a complete application for the project, including the provision of all of the required information.

Subd. 5. Application fee. The commissioner may charge each applicant an application fee to cover part or all of the administrative and legal costs incurred, not to exceed \$500 per applicant. The fee is deemed approved under section 16A.1283. The fee is deposited in the jobs tax credit account in the special revenue fund and amounts in the account are appropriated to the commissioner for the costs of administering the program. The commissioner shall refund the fee to the applicant if the application is denied because program funding is unavailable for the year under the limit in section 116L.43.

Sec. 3. **[116L.42] JOBS TAX CREDIT.**

Subdivision 1. Recovery of program costs; withholding credit. Unless the employer has elected to receive reimbursement through a direct grant under subdivision

2, paragraph (b), grants made under section 116L.43 for program costs are repaid by receipt of a jobs credit as follows:

(1) the jobs credit is based on the wages paid to the new employees;

(2) the income tax withholding on wages paid by the employer to each new employee under a project must be credited from the employer's withholding payments under section 290.92; and

(3) the commissioner of revenue shall transmit the equivalent credit payment amount to the commissioner of management and budget to be allocated to the account established under subdivision 2 for payment to the commissioner for reimbursement of grants made under section 116L.43.

Subd. 2. **Credit accounts.** The commissioner of management and budget shall establish accounts and records as necessary to administer the jobs credit. If the grant was made out of the appropriation under section 116L.43, the credit amount is canceled to the general fund. If the grant was made from other money available to the department, the credit must be paid to the appropriate fund or account as provided under that funding source. All money allocated by subdivision 1 is appropriated for purposes of this section. The employer credits cease when the amount of the grant has been repaid, but in no case later than ten years after execution of the agreement for the project. Any money in the account for a project after the grant for the project has been paid is canceled to the general fund.

Subd. 3. **Effect on employee income tax liability.** A new employee participating in a project must receive full credit for the amount withheld under section 290.92 for purposes of the employee's tax liability under chapter 290.

Subd. 4. **Administration.** (a) The commissioner of revenue and the commissioner of management and budget shall administer this section. The provisions of section 290.92 pertaining to the administration of income tax withholding, including provisions for refund or credit, not in conflict with the provisions of sections 116L.40 to 116L.44, govern the administration of the credit provided by this section.

(b) Each participating employer shall provide any information the commissioner of revenue requires.

Sec. 4. [116L.43] PROGRAM FUNDING; APPROPRIATION.

(a) Funding for programs must be through grants as provided under sections 116L.40 to 116L.44. For the purposes of making grants under the program, \$10,000,000 is appropriated to the commissioner of management and budget from the accounts established under section 116L.42, subdivision 2, in the general fund for each fiscal year beginning after June 30, 2013, until the program expires under section 116L.44.

5.1 (b) The department may also make grants out of any of its available money.

5.2 **Sec. 5. [116L.44] FUNDING LIMIT; REPORT; EXPIRATION.**

5.3 Subdivision 1. **Funding limit.** The commissioner must not enter into agreements
5.4 under section 116L.42 that authorize training to be reimbursed by the program in excess of
5.5 the amount available under section 116L.43.

5.6 Subd. 2. **Report.** (a) By February 1, 2016, the commissioner shall report to the
5.7 governor and the legislature on the program. The report must include at least:

5.8 (1) the amount of grants issued under the program;

5.9 (2) the number of individuals receiving training under the program;

5.10 (3) the number of new hires attributable to the program;

5.11 (4) an analysis of the effectiveness of the credit and grant in encouraging
5.12 employment; and

5.13 (5) any other information the commissioner determines appropriate.

5.14 (b) The report to the legislature must be distributed as provided in section 3.195.

5.15 Subd. 3. **Expiration.** The authority of the commissioner to enter into agreements
5.16 authorizing new training under section 116L.42 expires June 30, 2018.