

SENATE

STATE OF MINNESOTA

EIGHTY-EIGHTH LEGISLATURE

S.F. No. 241

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DATE	D-PG	OFFICIAL STATUS
02/04/2013	141	Introduction and first reading Referred to Higher Education and Workforce Development
02/25/2013		Comm report: To pass as amended and re-refer to Taxes

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A bill for an act

relating to economic development; establishing an internship program; allowing a tax credit; requiring reports; appropriating money; amending Minnesota Statutes 2012, section 290.06, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 136A.

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

Section 1. **[136A.129] GREATER MINNESOTA INTERNSHIP PROGRAM.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given to them.

(b) "Eligible employer" means a taxpayer under section 290.01 with employees located in greater Minnesota.

(c) "Eligible institution" means a Minnesota public postsecondary institution or a Minnesota private, nonprofit, baccalaureate degree-granting college or university.

(d) "Eligible student" means a student enrolled in an eligible institution who has completed one-half of the credits necessary for the respective degree or certification.

(e) "Greater Minnesota" means the area located outside of the metropolitan area, as defined in section 473.121, subdivision 2.

Subd. 2. **Program established.** The Office of Higher Education shall administer a greater Minnesota internship program through eligible institutions to provide credit at the eligible institution for internships and tax credits for eligible employers who hire interns for employment in greater Minnesota. The purpose of the program is to encourage Minnesota businesses to:

(1) employ and provide valuable experience to Minnesota students; and

(2) foster long-term relationships between the students and greater Minnesota employers.

2.1 Subd. 3. **Program components.** (a) An intern must be an eligible student who
2.2 has been admitted to a major program that is closely related to the intern experience
2.3 as determined by the eligible institution.

2.4 (b) To participate in the program, an eligible institution must:

2.5 (1) enter into written agreements with eligible employers to provide internships that
2.6 are at least 12 weeks long and located in greater Minnesota;

2.7 (2) determine that the work experience of the internship is closely related to the
2.8 eligible student's course of study; and

2.9 (3) provide academic credit for the successful completion of the internship or ensure
2.10 that it fulfills requirements necessary to complete a vocational technical education program.

2.11 (c) To participate in the program, an eligible employer must enter into a written
2.12 agreement with an eligible institution specifying that the intern:

2.13 (1) would not have been hired without the tax credit described in subdivision 4;

2.14 (2) did not work for the employer in the same or a similar job prior to entering
2.15 the agreement;

2.16 (3) does not replace an existing employee;

2.17 (4) has not previously participated in the program;

2.18 (5) will be employed at a location in greater Minnesota;

2.19 (6) will be paid at least minimum wage for a minimum of 16 hours per week for a
2.20 period of at least 12 weeks; and

2.21 (7) will be supervised and evaluated by the employer.

2.22 (d) Participating eligible institutions and eligible employers must report annually to
2.23 the office. The report must include at least the following:

2.24 (1) the number of interns hired;

2.25 (2) the number of hours and weeks worked by interns; and

2.26 (3) the compensation paid to interns.

2.27 (e) An internship required to complete an academic program does not qualify for the
2.28 greater Minnesota internship program under this section.

2.29 Subd. 4. **Tax credit allowed; maximum limits.** (a) The tax credit for an eligible
2.30 employee equals 40 percent of the compensation paid to each qualifying intern, but not to
2.31 exceed \$4,000. An employer is limited to one credit per qualifying intern for no more than
2.32 five interns in any taxable year.

2.33 (b) The total amount of credits authorized under this section is limited to
2.34 \$5,500,000 per fiscal year. The office shall allocate these credits to eligible institutions
2.35 for participating employers and certify to the Department of Revenue the amount of the
2.36 credit under section 290.06, subdivision 36.

3.1 Subd. 5. **Allocations to institutions.** The office shall allocate tax credits authorized
3.2 in subdivision 4 to eligible institutions. The office shall determine relevant criteria to
3.3 allocate the tax credits including the geographic distribution of credits to work locations
3.4 outside the metropolitan area. Any credits allocated to an institution but not used may be
3.5 reallocated to eligible institutions. The office shall allocate a portion of the administrative
3.6 fee under section 290.06, subdivision 36, to participating eligible institutions for their
3.7 administrative costs.

3.8 Subd. 6. **Reports to the legislature.** (a) By February 1, 2014, the office and the
3.9 Department of Revenue shall report to the legislature on the greater Minnesota internship
3.10 program. The report must include at least the following:

3.11 (1) the number and dollar amount of credits allowed;

3.12 (2) the number of interns employed under the program; and

3.13 (3) the cost of administering the program.

3.14 (b) By February 1, 2015, the office and the Department of Revenue shall report to the
3.15 legislature with an analysis of the effectiveness of the program in stimulating businesses
3.16 to hire interns and in assisting participating interns in finding permanent career positions.
3.17 This report must include the number of students who participated in the program who
3.18 were subsequently employed full-time by the employer.

3.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.20 Sec. 2. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision
3.21 to read:

3.22 Subd. 36. **Greater Minnesota internship credit.** (a) A taxpayer may take a credit
3.23 against the tax due under this chapter equal to the lesser of:

3.24 (1) 40 percent of the compensation paid to an intern qualifying under the program
3.25 established under section 136A.129, but not to exceed \$4,000 per intern; or

3.26 (2) the amount certified by the Office of Higher Education under section 136A.129
3.27 to the taxpayer.

3.28 (b) Credits allowed to a partnership, a limited liability company taxed as a
3.29 partnership, an S corporation, or multiple owners of property are passed through to the
3.30 partners, members, shareholders, or owners, respectively, pro rata to each partner, member,
3.31 shareholder, or owner based on their share of the entity's income for the taxable year.

3.32 (c) If the amount of credit which the taxpayer is eligible to receive under this
3.33 subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of
3.34 revenue shall refund the excess to the taxpayer.

3.35 (d) The amount necessary to:

4.1 (1) pay claims for the refund provided in this subdivision; and
4.2 (2) an amount equal to one percent of the total amount of the credits authorized
4.3 under this subdivision for an administrative fee for the Office of Higher Education and
4.4 participating eligible institutions
4.5 is appropriated from the general fund to the commissioner of revenue.

4.6 The commissioner of revenue shall transfer the amount of the administrative fee to
4.7 the Office of Higher Education.

4.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.9 December 31, 2012.