

A bill for an act
relating to taxation; income; providing a technology credit for small business;
proposing coding for new law in Minnesota Statutes, chapter 290.

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

Section 1. **[290.0681] TECHNOLOGY CREDIT.**

Subdivision 1. **Credit allowed.** A taxpayer who operates a business with 100 or fewer full-time employees is allowed a credit against the tax imposed by this chapter equal to 25 percent of the first \$40,000 of qualified technology expenses for the taxable year.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Qualified technology expenses" means expenses for the acquisition of computer or peripheral equipment, as defined in section 168(i)(2)(B) of the Internal Revenue Code.

(c) "Full-time employees" of a taxpayer means the sum of the full-time employees, determined on the last date of the previous taxable year, of:

(1) the taxpayer;

(2) all the entities in any unitary business of which the taxpayer is a part; and

(3) any related party, as defined in section 267(b) or 707(b) of the Internal Revenue Code.

Subd. 3. **Limitation; carryforward.** (a) The credit for the taxable year is limited to the liability for tax. For purposes of this section, "liability for tax" means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(b) If the credit under this section for any taxable year exceeds the limitation under paragraph (a), the excess is a technology credit carryover to each of the five succeeding

taxable years. The entire excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this clause is limited to the taxpayer's liability for tax less the technology credit for the taxable year.

Subd. 4. **Partnerships.** (a) For a partner in a partnership, the credit allowed for the taxable year must not exceed the lesser of:

(1) the amount determined under subdivision 3, paragraph (a), for the taxable year; or

(2) an amount, separately computed with respect to the taxpayer's interest in the trade or business or entity, equal to the amount of tax attributable to that portion of taxable income that is allocable or apportionable to the taxpayer's interest in the trade or business or entity.

(b) For a partnership, the credit must be allocated in the same manner provided by section 41(f)(2) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.