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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3861

04/07/2016 Authored by Lien and Isaacson

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance

1.1 A bill for an act
1.2 relating to taxation; allowing a tax credit for certain contributions for higher
1.3 education scholarships; appropriating money; requiring reports; amending
1.4 Minnesota Statutes 2014, section 13.4967, by adding a subdivision; proposing
1.5 coding for new law in Minnesota Statutes, chapters 116J; 290.

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

1.7 Section 1. Minnesota Statutes 2014, section 13.4967, is amended by adding a
1.8 subdivision to read:

1.9 Subd. 9. Scholarship build credit. Data related to scholarship build credit
1.10 certifications and allocations are classified in section 116J.8739.

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

1.12 Sec. 2. [116J.8739] SCHOLARSHIP BUILD CREDIT.

1.13 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms
1.14 have the meanings given.

1.15 (b) "Board" means the Board of Trustees of the Minnesota State Colleges and
1.16 Universities (MnSCU).

1.17 (c) "Contribution" means a contribution to a foundation affiliated with a state college
1.18 or university designated for use by an eligible department or program that is either:

1.19 (1) a cash contribution to be used to award undergraduate scholarships; or

1.20 (2) an in-kind contribution of equipment that the eligible department or program
1.21 accepts for use in its course of study.

1.22 (d) "Economic development region" or "EDR" means a development region defined
1.23 in section 462.385.

2.1 (e) "Eligible department or program" means a department or program at a state
2.2 college or university that educates students for employment in a high-demand occupation.

2.3 (f) "High-demand occupation" means a standard occupational classification major
2.4 group for which the job vacancy rate in an economic development region is greater
2.5 than the job vacancy rate in the economic development region for all occupations, as
2.6 determined by the commissioner based on data reported in the Job Vacancy Survey.

2.7 (g) "Job vacancy rate" means the job vacancy rate for the fourth quarter of the
2.8 preceding calendar year as reported in the Job Vacancy Survey.

2.9 (h) "Pass-through entity" means a corporation that for the applicable taxable year is
2.10 treated as an S-corporation or a general partnership, limited partnership, limited liability
2.11 partnership, trust, or limited liability company that, for the applicable taxable year, is not
2.12 taxed as a corporation under chapter 290.

2.13 (i) "Qualified taxpayer" means a taxpayer who has been certified by the
2.14 commissioner under subdivision 3.

2.15 (j) "Standard Occupational Classification" or "SOC" means the 2010 Standard
2.16 Occupational Classification adopted by the United States Bureau of Labor Statistics.

2.17 (k) "SOC major group" means a group of standard occupational classifications
2.18 designated by a two-digit SOC code.

2.19 (l) "State college or university" means a college or university operated by the Board
2.20 of Trustees of the Minnesota State Colleges and Universities.

2.21 Subd. 2. **Credit allowed.** (a) A qualified taxpayer is eligible for a credit equal to 50
2.22 percent of each contribution. The maximum credit allowed in any taxable year for a cash
2.23 contribution is \$2,000. The maximum credit allowed in any taxable year for an in-kind
2.24 contribution is \$4,000. The commissioner must not allocate more than \$10,000,000 in
2.25 credits to qualified taxpayers for taxable years beginning after December 31, 2016, and
2.26 must not allocate more than \$50,000 in credits to any one qualified taxpayer in any taxable
2.27 year. Any portion of a taxable year's credits that is not allocated by the commissioner
2.28 does not cancel and may be carried forward to subsequent taxable years until all credits
2.29 have been allocated.

2.30 (b) In order for a contribution to be eligible for a tax credit, the qualified taxpayer
2.31 who makes the contribution must have been allocated a tax credit before making the
2.32 contribution.

2.33 Subd. 3. **Certification of qualified taxpayers and allocations of credits.** (a) A
2.34 business may apply to the commissioner for certification as a qualified taxpayer and to
2.35 be allocated a tax credit for a taxable year. The application must be made available on
2.36 the department's Web site by November 1 of the preceding year. Businesses must submit

3.1 applications to the commissioner by March 15 of the taxable year in which the credit is
3.2 claimed.

3.3 (b) To receive certification as a qualified taxpayer, a business must in the previous
3.4 or current calendar year have had or must anticipate having at least one job vacancy that
3.5 requires a postsecondary degree or certificate in a high-demand occupation for the EDR
3.6 in which the business is located.

3.7 (c) The application must be in the form and be made under the procedures specified
3.8 by the commissioner, and must include:

3.9 (1) a description of the job vacancy or anticipated job vacancy;

3.10 (2) the foundation to which the business contemplates making a contribution and the
3.11 eligible department or program for which the contribution would be designated;

3.12 (3) if the contribution will be cash or in-kind; and

3.13 (4) the amount or value of the contribution contemplated.

3.14 (d) By April 15 of the taxable year in which the credit is claimed, the commissioner,
3.15 in consultation with the board, must determine for each credit application the job gap
3.16 for the EDR in which the business of the qualified taxpayer is located, which equals
3.17 the difference between:

3.18 (1) the job vacancy rate for the high-demand occupation for which the eligible
3.19 academic department or program designated to receive the contribution educates students;
3.20 and

3.21 (2) the job vacancy rate for all occupations.

3.22 (e) The commissioner must prioritize applications and allocate credits based on the
3.23 job gap determination, with credits first allocated to applications with the highest job gap.

3.24 (f) By April 30 of the taxable year in which the credit is claimed, the commissioner,
3.25 in consultation with the board, must prioritize applications and allocate credits to qualified
3.26 taxpayers in order to maximize contributions to eligible departments and programs that
3.27 educate students for employment in the highest demand occupations, as determined based
3.28 on job vacancy rates. The commissioner must also notify qualified taxpayers who are
3.29 not allocated credits, and must notify applicants who are determined to not meet the
3.30 requirements for being a qualified taxpayer.

3.31 Subd. 4. **Credit certificates.** (a) A qualified taxpayer who is allocated a credit must
3.32 make the contribution specified in the application by October 15 of the taxable year in
3.33 which the credit is claimed. A qualified taxpayer must notify the commissioner when a
3.34 contribution for which a credit was allocated has been made, and the taxable year in
3.35 which the contribution was made. After receiving notification that the contribution was

4.1 made, the commissioner must issue a credit certificate for the taxable year in which the
4.2 contribution was made to the qualified taxpayer.

4.3 (b) If the contribution is not made by October 15, the credit allocation is canceled
4.4 and available for reallocation following the prioritization determined under subdivision 3.
4.5 A qualified taxpayer who fails to make the contribution specified in the application by
4.6 October 15 must notify the commissioner of the failure to make the contribution within
4.7 five business days of October 15.

4.8 (c) The commissioner must notify the commissioner of revenue of credit certificates
4.9 issued under this section.

4.10 Subd. 5. **Data privacy.** Data contained in an application submitted to the
4.11 commissioner under subdivision 2, 3, or 4 are nonpublic data, or private data on
4.12 individuals, as defined in section 13.02, subdivision 9 or 12, except that for each credit
4.13 certificate issued under subdivision 4, the following data items are public:

4.14 (1) the EDR in which the qualified taxpayer is located;

4.15 (2) the occupation in which the qualified taxpayer had a job vacancy;

4.16 (3) the amount of the credit certificate issued;

4.17 (4) the amount of the contribution; and

4.18 (5) the name of the foundation to which the contribution was made and the eligible
4.19 department or program to which the contribution was designated.

4.20 Subd. 6. **Report to legislature.** Beginning in 2018, the commissioner, in
4.21 consultation with the board, must annually provide a written report by March 15 to the
4.22 chairs and ranking minority members of the legislative committees having jurisdiction over
4.23 higher education, jobs and economic development, and taxes, in compliance with sections
4.24 3.195 and 3.197, on the tax credits allowed under this section. The report must include:

4.25 (1) the number and amount of the contributions to each foundation that result
4.26 in credits;

4.27 (2) amounts contributed to foundations for use by academic programs and
4.28 departments grouped by industry type and EDR;

4.29 (3) the amount of credits awarded to qualified taxpayers grouped by industry type
4.30 and EDR;

4.31 (4) the number and dollar amount of credits that are allocated but for which the
4.32 commissioner did not issue a credit certificate because the taxpayer did not make a
4.33 contribution;

4.34 (5) program completion and job placement rates for students enrolled in eligible
4.35 academic programs and departments that received contributions that resulted in credits
4.36 in the preceding academic year and in the academic year that began in the calendar year

5.1 preceding the first taxable year in which the credit was allowed, with detail by industry
 5.2 type and EDR;

5.3 (6) the number and total dollar amount of scholarships or other assistance awarded
 5.4 by each state college and university in the preceding academic year and in the academic
 5.5 year that began in the calendar year preceding the first taxable year in which the credit was
 5.6 allowed; and

5.7 (7) an assessment of the efficacy of the credit program at increasing the number of
 5.8 students completing academic programs and accepting employment in high-demand
 5.9 occupations.

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

5.11 Sec. 3. **[290.0682] SCHOLARSHIP BUILD CREDIT.**

5.12 Subdivision 1. **Credit allowed.** A qualified taxpayer is allowed a credit against the
 5.13 tax imposed under this chapter for each contribution made to a foundation of a state
 5.14 college or university operated by the Board of Trustees of the Minnesota State Colleges
 5.15 and Universities. The credit equals the amount and applies to the taxable year indicated
 5.16 on the certificate provided under section 116J.8739, subdivision 3. The maximum credit
 5.17 allowed in any taxable year for a cash contribution is \$2,000. The maximum credit
 5.18 allowed in any taxable year for in-kind contribution is \$4,000. The maximum cumulative
 5.19 credits allowed for any one qualified taxpayer in a taxable year is \$50,000.

5.20 Subd. 2. **Definitions.** For purposes of this section, the terms defined in section
 5.21 116.8739 have the meanings given in that section.

5.22 Subd. 3. **Proportional credits.** Each pass-through entity must provide each
 5.23 shareowner a statement indicating the shareowner's share of the credit amount certified
 5.24 to the pass-through entity based on its share of the pass-through entity's capital assets
 5.25 at the time of the contribution.

5.26 Subd. 4. **Credit refundable; appropriation.** If the amount of the credit under this
 5.27 section for any taxable year exceeds the claimant's liability for tax under this chapter, the
 5.28 commissioner shall refund the excess to the claimant. An amount sufficient to pay the
 5.29 refunds required by this section is appropriated to the commissioner from the general fund.

5.30 Subd. 5. **Audit powers.** Notwithstanding the certification eligibility issued by the
 5.31 commissioner of employment and economic development under section 116J.8739, the
 5.32 commissioner may utilize any audit and examination powers under chapter 270C or 289A,
 5.33 to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for
 5.34 the amount of any improperly claimed credit.

6.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
6.2 December 31, 2016.

6.3 Sec. 4. **APPROPRIATION.**

6.4 \$300,000 is appropriated in fiscal year 2017 from the general fund to the
6.5 commissioner of the Department of Employment and Economic Development for
6.6 administration of the credit in section 2.

6.7 Sec. 5. **PURPOSE STATEMENT; TAX EXPENDITURES.**

6.8 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
6.9 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
6.10 expenditure provide a purpose for the tax expenditure and a standard or goal against
6.11 which its effectiveness may be measured.

6.12 Subd. 2. **Scholarship build credit.** The purpose of this tax credit is to encourage
6.13 private sector employers to make contributions, both cash and in-kind, to individual
6.14 MnSCU campus foundations. These contributions would allow MnSCU campus
6.15 foundations to provide scholarships to help students with the costs of attaining higher
6.16 education program completion. As more students complete programs, employers would
6.17 be able to more easily fill jobs with high employee demand. The effectiveness of this tax
6.18 credit will be measured based on the number of students who are helped to complete
6.19 programs, and the number placed in jobs with high employee demand.

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