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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. **1141**

03/16/2011 Authored by Gunther, Kiffmeyer, Poppe, Fabian and Westrom
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; creating a teleworking credit; providing a sales tax
1.3 exemption for telework expenses; amending Minnesota Statutes 2010, section
1.4 297A.67, by adding a subdivision; proposing coding for new law in Minnesota
1.5 Statutes, chapter 290.

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

1.7 Section 1. **[290.0693] TELEWORKING CREDIT.**

1.8 Subdivision 1. **Definitions.** (a) The terms in this section have the meanings given
1.9 them.

1.10 (b) "Eligible telework expenses" means expenses incurred during the calendar year
1.11 pursuant to a telework agreement, up to a limit of \$1,200 for each participating employee,
1.12 to enable a participating employee to begin to telework. Eligible expenses:

1.13 (1) include, but are not limited to, expenses paid or incurred to purchase computers;
1.14 computer-related hardware and software; modems; data processing equipment;
1.15 telecommunications equipment; high-speed Internet connectivity equipment; computer
1.16 security software and devices; and all related delivery, installation, and maintenance fees;

1.17 (2) do not include:

1.18 (i) replacement costs for computers, computer-related hardware and software,
1.19 modems, data processing equipment, telecommunications equipment, or computer
1.20 security software and devices at the principal place of business when that equipment is
1.21 relocated to the telework site; and

1.22 (ii) expenses for which a credit or subtraction is claimed under any other provision
1.23 of this chapter;

1.24 (3) may be incurred only once per employee; and

2.1 (4) may be incurred directly by the employer on behalf of the participating employee
2.2 or directly by the participating employee and subsequently reimbursed by the employer.

2.3 (c) "Employer" means any employer subject to tax under this chapter.

2.4 (d) "Participating employee" means an employee who has entered into a telework
2.5 agreement with the employee's employer on or after July 1, 2011. Participating employee
2.6 does not include an individual who is self-employed or an individual who ordinarily
2.7 spends a majority of the workday at a location other than the employer's principal place of
2.8 business.

2.9 (e) "Telework" means to perform normal and regular work functions on a workday
2.10 that ordinarily would be performed at the employer's principal place of business at a
2.11 different location, thereby eliminating or substantially reducing the physical commute
2.12 to and from that employer's principal place of business. Telework shall not include
2.13 home-based businesses, extensions of the workday, or work performed on a weekend
2.14 or holiday.

2.15 (f) "Telework agreement" means an agreement signed by the employer and the
2.16 participating employee, on or after July 1, 2011, that defines the terms of a telework
2.17 arrangement, including the number of days per year the participating employee will
2.18 telework in order to qualify for the credit as provided in subdivision 2, and any restrictions
2.19 on the place from which the participating employee will telework.

2.20 (g) "Telework assessment" means an optional assessment leading to the development
2.21 of policies and procedures necessary to implement a formal telework program that would
2.22 qualify the employer for the credit provided in subdivision 2, including but not limited
2.23 to a workforce profile; a telework program business case and plan; a detailed accounting
2.24 of the purpose, goals, and operating procedures of the telework program; methodologies
2.25 for measuring telework program activities and success; and a deployment schedule for
2.26 increasing telework activity.

2.27 Subd. 2. **Credit allowed.** An employer is allowed a tax credit against the tax
2.28 imposed by this chapter for a percentage of eligible telework expenses incurred. The
2.29 amount of the credit is calculated as follows:

2.30 (1) 100 percent of the eligible telework expenses incurred under a telework
2.31 agreement requiring the participating employee to telework at least 15 days per month;

2.32 (2) 75 percent of the eligible telework expenses incurred under a telework agreement
2.33 requiring the participating employee to telework at least ten days per month; or

2.34 (3) 25 percent of the eligible telework expenses incurred under a telework agreement
2.35 requiring the participating employee to telework at least five days per month.

3.1 Subd. 3. **Telework assessment credit.** (a) In addition to the credit provided by
3.2 subdivision 2, an employer conducting a telework assessment on or after July 1, 2011, is
3.3 allowed a credit in the calendar year of implementation of the employer's formal telework
3.4 program against the tax imposed by this chapter for 100 percent of the cost of preparing
3.5 the assessment, up to a maximum credit of \$20,000 per employer. The credit provided
3.6 by this subdivision is intended to include program planning expenses, including direct
3.7 program development and training costs, raw labor costs, and professional consulting fees.
3.8 The credit does not include expenses for which a credit or subtraction is claimed under
3.9 any other provision of this chapter. The credit is allowed only once per employer.

3.10 (b) All telework assessments eligible for a tax credit under this subdivision shall
3.11 meet standards for eligibility adopted by the commissioner.

3.12 Subd. 4. **Limitations.** The credit for any taxable year must not exceed the
3.13 employer's liability for tax. Any unused tax credit may not be carried forward to apply to
3.14 the employer's succeeding years' tax liability. The tax credit may not be used against the
3.15 employer's prior years' tax liability.

3.16 Subd. 5. **Application.** (a) An employer seeking to claim a credit provided for
3.17 under subdivisions 2 and 3 must submit an application to the commissioner for tentative
3.18 approval of the credit between September 1 and October 31 of the year preceding the
3.19 calendar year for which the credit is to be earned. The commissioner shall adopt the
3.20 rules and forms on which the application is to be submitted. Amounts specified on the
3.21 application must not be changed by the employer after the application is approved by the
3.22 commissioner. Applications must certify that the employer would not have incurred the
3.23 eligible telework expenses but for the availability of the credit. The commissioner shall
3.24 review the application and tentatively approve the application upon determining that
3.25 it meets the requirements of this section.

3.26 (b) The total amount of both credits approved by the commissioner under this section
3.27 must not exceed \$..... in any calendar year.

3.28 (c) The commissioner shall notify each employer of the credits tentatively approved
3.29 and allocated to the employer by December 31 of the year in which the application
3.30 was submitted. Once the credit application is approved and the amount approved is
3.31 communicated to the applicant, the employer may make purchases approved for the credit
3.32 at any time during the calendar year following the approval of the application. The
3.33 employer may then apply the amount of the approved credit to its liability for the tax
3.34 year or years for which the approved application applies. If the employer has a tax year
3.35 other than a calendar year and the calendar year expenses are incurred in more than one

4.1 taxable year, the credit shall be applied to each taxable year based on when the expenses
4.2 were incurred.

4.3 Subd. 6. **Public report.** The commissioner shall make available a public report
4.4 disclosing the employer names claiming the credit under this section and the amounts
4.5 of the credits.

4.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.7 December 31, 2011.

4.8 Sec. 2. Minnesota Statutes 2010, section 297A.67, is amended by adding a subdivision
4.9 to read:

4.10 Subd. 33. **Telework expenses.** Telework expenses, as defined in section 290.0693,
4.11 subdivision 1, paragraph (b), clause (1), are exempt.

4.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
4.13 June 30, 2011.