

(SENATE AUTHORS: CARLSON, Rosen, Metzen and Hayden)

DATE	D-PG	OFFICIAL STATUS
04/23/2012	6059	Introduction and first reading Referred to Jobs and Economic Growth

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A bill for an act

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relating to community foundations; establishing an endow Minnesota program;

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authorizing matching grants and providing tax credits to encourage contributions;

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authorizing rulemaking; amending Minnesota Statutes 2010, sections 290.06, by

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adding a subdivision; 297I.20, by adding a subdivision; proposing coding for

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new law in Minnesota Statutes, chapter 116J.

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

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Section 1. [116J.9821] ENDOW MINNESOTA PROGRAM ACT.

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Subdivision 1. Title. This section may be known and cited as the "Endow Minnesota

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Program Act."

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Subd. 2. Purpose. The purpose of this section is to:

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(1) enhance the quality of life for citizens of this state through increased

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philanthropic activity by providing capital to new and existing citizen groups organized to

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establish endowment funds that will address community needs in this state; and

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(2) encourage individuals, businesses, and organizations to invest in community

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foundations.

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Subd. 3. Definitions. (a) For purposes of this section, the following terms have

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the meanings given.

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(b) "Board" means the governing body of the lead philanthropic entity selected

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by the commissioner under subdivision 4.

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(c) "Business" means a business operating within this state or a consortium of

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businesses operating within this state and includes an individual operating a sole

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proprietorship or having rental, royalty, or farm income in this state.

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(d) "Commissioner" means the commissioner of employment and economic

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development.

(e) "Community affiliate organization" means a group of five or more community leaders or advocates organized for the purpose of increasing philanthropic activity in an identified community or geographic area in this state with the intention of establishing a community affiliate endowment fund.

(f) "Endow Minnesota qualified community foundation" means a community foundation organized or operating in this state that substantially complies with the national standards established by the National Council on Foundations, as determined by the commissioner in collaboration with the Minnesota Council on Foundations.

(g) "Endowment gift" means an irrevocable contribution to a permanent endowment held by an endow Minnesota qualified community foundation.

(h) "Lead philanthropic entity" means the entity selected by the commissioner under subdivision 4.

Subd. 4. **Endow Minnesota grants.** (a) The commissioner shall select a lead philanthropic entity for purposes of encouraging the development of qualified community foundations in this state. A lead philanthropic entity must:

(1) be a nonprofit entity that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code, as amended;

(2) be a statewide organization with membership consisting of organizations, such as community, corporate, and private foundations, whose principal function is the making of grants in this state; and

(3) have a minimum of 40 members that include qualified community foundations.

(b) A lead philanthropic entity may receive a grant from the commissioner out of any appropriation or other money available for that purpose. The board shall use the grant money to award endow Minnesota grants to new and existing qualified community foundations and to community affiliate organizations that do all of the following:

(1) provide the board with all information it requires;

(2) demonstrate a dollar-for-dollar funding match in a form approved by the board;

(3) identify an endow Minnesota qualified community foundation to hold all funds.

This requirement does not apply to an endow Minnesota qualified community foundation; and

(4) provide a plan to the board demonstrating the method for distributing grant money received from the board to organizations within the community or geographic area, as defined by the endow Minnesota qualified community foundation or the community affiliate organization.

(c) Endow Minnesota grants awarded to new and existing endow Minnesota qualified community foundations and to community affiliate organizations must not

exceed \$25,000 per foundation or organization unless a foundation or organization demonstrates a multiple county or regional approach. Grants may be awarded annually, with no more than three grants to any one county in a fiscal year.

(d) In ranking applications for grants, the board shall consider a variety of factors including the following:

(1) the demonstrated need for financial assistance;

(2) the potential for future philanthropic activity in the area represented by or being considered for assistance;

(3) the proportion of the funding match being provided;

(4) for community affiliate organizations, the demonstrated need for the creation of a community affiliate endowment fund in the applicant's geographic area;

(5) the identification of community needs and the manner in which additional funding will address those needs; and

(6) the geographic diversity of awards.

(e) A lead philanthropic entity must not use more than five percent of money received from the state for administrative purposes.

Subd. 5. **Endow Minnesota tax credit.** (a) For taxable years beginning on or after December 31, 2011, a tax credit is allowed against the taxes imposed under chapters 290 and 297I equal to 25 percent of a taxpayer's endowment gift made during the taxable year to an endow Minnesota qualified community foundation. A tax credit is allowed only for an endowment gift made to an endow Minnesota qualified community foundation for a permanent endowment fund established to benefit a charitable cause in this state. The tax credit is limited to the amount certified by the commissioner to the taxpayer under paragraph (d).

(b) The aggregate amount of tax credits authorized under this subdivision is limited to a total of \$ The maximum amount of tax credits granted to a taxpayer must not exceed five percent of the aggregate amount of tax credits available to be authorized for the taxable year. Ten percent of the aggregate amount of tax credits authorized in a calendar year shall be reserved for endowment gifts in amounts of \$30,000 or less. If by September 1 of a calendar year the entire ten percent of the reserved tax credits is not distributed, the remaining tax credits are available to any other eligible applicants.

(c) A tax credit is not transferable to any other taxpayer.

(d) To limit the amount of credits allowed to the amount provided under paragraph (b), the commissioner shall develop a system for registration and authorization of tax credits under this subdivision and shall control the distribution of all tax credits to taxpayers providing an endowment gift subject to this subdivision. The commissioner

shall certify to each authorized taxpayer the tax credit amount by taxable year that the taxpayer qualifies for.

(e) The commissioner may adopt administrative rules under chapter 14 for the qualification and administration of endowment gifts.

Sec. 2. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision to read:

Subd. 36. Endow Minnesota tax credit. (a) A taxpayer is allowed a credit against the tax under subdivision 1 or 2c equal to the amount certified by the commissioner of employment and economic development under section 116J.9821, subdivision 5, to the taxpayer for the taxable year.

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

(c)(1) The credit is limited to the liability for tax. "Liability for tax" for purposes of this subdivision means the tax imposed under subdivision 1 or 2c, as applicable, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(2) For a corporation that is a partner in a partnership, the credit allowed for the taxable year is limited to the lesser of the amount determined under clause (1) for the taxable year or an amount, separately computed with respect to the corporation's interest in the trade, business, or entity, equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade, business, or entity.

(3) If the amount of the credit determined under this subdivision for any taxable year exceeds the limitation under clause (1), the excess is a credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is 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 which may be added under this clause is limited to the taxpayer's liability for tax, less the credit for the taxable year.

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

Sec. 3. Minnesota Statutes 2010, section 297I.20, is amended by adding a subdivision to read:

5.1 Subd. 4. **Endow Minnesota tax credit.** An insurance company may claim a credit
5.2 against the premiums tax imposed under this chapter equal to the amount of the credit
5.3 certificate issued to it under section 116J.9821. This credit does not affect the calculation
5.4 of police and fire aid under section 69.021.

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