

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 2365

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DATE	D-PG	OFFICIAL STATUS
03/02/2023	1263	Introduction and first reading Referred to Taxes
02/26/2024	11823	Author added Lang

1.1 A bill for an act

1.2 relating to taxation; income; proposing a credit for graduates of aerospace and

1.3 aviation-related educational programs and employers of program graduates;

1.4 requiring reports; proposing coding for new law in Minnesota Statutes, chapter

1.5 290.

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

1.7 Sec. 1. [290.0687] AEROSPACE AND AVIATION CREDIT.

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have

1.9 the meanings given them.

1.10 (b) "Aerospace" means relating to vehicles or objects for the purpose of suborbital,

1.11 orbital, or space flight, whether for private or public, or civil or defense-related purposes.

1.12 (c) "Aviation" means relating to vehicles or objects, except parachutes, for the purpose

1.13 of controlled flight through the air, regardless of how propelled or controlled, whether

1.14 manned or unmanned, whether for private or public, or civil or defense-related purposes,

1.15 or whether equipped with parachute systems.

1.16 (d) "Aviation and aerospace sector" means a private or public organization engaged in

1.17 the manufacture of aviation or aerospace hardware or software, aviation or aerospace

1.18 maintenance, aviation or aerospace repair and overhaul, supply of parts to the aviation or

1.19 aerospace industry, provision of services and support relating to the aviation or aerospace

1.20 industry, research and development of aviation or aerospace technology and systems, or

1.21 the education and training of aviation or aerospace personnel.

1.22 (e) "Compensation" means payments for performance of services for which the payor

1.23 is required to provide federal Form 1099 to the person paid. Compensation includes wages,

2.1 salary, or other remuneration subject to withholding tax, paid to a full-time employee.
2.2 Compensation does not include employer-provided retirement, medical or health care
2.3 benefits, or reimbursement for travel, meals, lodging, or any other expense.

2.4 (f) "Eligible institution" means any postsecondary institution that participates in the
2.5 federal Pell Grant Program under Title IV of the Higher Education Act of 1965, Public Law
2.6 89-329, as amended.

2.7 (g) "Qualified employee" means any person who meets the following requirements:

2.8 (1) was newly employed by a qualified employer on a full-time basis, or first contracted
2.9 with a qualified employer on a full-time basis, on or after January 1, 2024; and

2.10 (2) has been awarded, within one year before or after the beginning date of employment,
2.11 an undergraduate degree, graduate degree, technical degree, or certificate in a qualified
2.12 program by an qualified institution.

2.13 (h) "Qualified employer" means a sole proprietorship, general partnership, limited
2.14 partnership, limited liability company, corporation, other legally recognized business entity,
2.15 or public entity whose principal business activity involves the aviation and aerospace sector
2.16 and who employs a qualified employee.

2.17 (i) "Qualified program" means a program at an eligible institution that:

2.18 (1) has been accredited by the Engineering Accreditation Commission of the Accreditation
2.19 Board for Engineering and Technology, the Federal Aviation Administration, or a regional
2.20 accrediting body and that awards an undergraduate or graduate degree;

2.21 (2) is within the meaning of an associate of applied science degree program or career
2.22 technical education program that results in the awarding of a degree or certificate that
2.23 prepares the graduate for gainful employment with a qualified employer; or

2.24 (3) results in obtaining a certification or rating which directly relates to the aviation and
2.25 aerospace sector and is granted through the Federal Aviation Administration or regional
2.26 accredited body.

2.27 (j) "Tuition" means the amount paid for enrollment, program-specific course fees, and
2.28 instruction in a qualified program that includes both amounts paid during participation in
2.29 a qualified program and amounts paid for tuition debt upon completion of a qualified
2.30 program. Tuition does not include the cost of books, fees that are not program-specific
2.31 course fees, or room and board.

3.1 Subd. 2. Credit for qualified employees; carryover. (a) A qualified employee is allowed
3.2 a credit against the tax imposed under this chapter in an amount equal to \$5,000 each year
3.3 in the first through fifth consecutive years of employment with a qualified employer. A
3.4 qualified employee may claim the credit for the taxable year in which the qualified employee
3.5 first became eligible for the credit under this section and for each of the four taxable years
3.6 following the taxable year in which the credit was first allowed. The credit each year is
3.7 limited to the qualified employee's liability for tax.

3.8 (b) If the amount of the credit under this subdivision for any taxable year exceeds the
3.9 limitations under paragraph (a), the excess is a credit carryover to each of the four succeeding
3.10 taxable years. The entire amount of the excess unused credit for the taxable year must be
3.11 carried first to the earliest of the taxable years to which the credit may be carried. The
3.12 amount of the unused credit that may be added under this paragraph may not exceed the
3.13 qualified employee's liability for tax, less the credit for the taxable year. The credit may not
3.14 be carried over to any taxable year after the fourth taxable year following the taxable year
3.15 in which the credit was first allowed.

3.16 Subd. 3. Credit for tuition paid by qualified employers; limitation. (a) A qualified
3.17 employer is allowed a credit against the tax imposed under this chapter for tuition reimbursed
3.18 each year to a qualified employee in the first through fifth consecutive years of employment.

3.19 (b) The credit equals 50 percent of the amount of tuition reimbursed by the qualified
3.20 employer to each qualified employee except that the credit must not exceed 50 percent of
3.21 the average annual amount paid by a qualified employee for enrollment and instruction in
3.22 a qualified program. The credit is limited to the qualified employer's liability for tax. The
3.23 credit is not refundable and may not be carried forward.

3.24 Subd. 4. Credit for compensation paid by qualified employers; limitation. (a) A
3.25 qualified employer is allowed a credit against the tax for compensation paid during the
3.26 taxable year to a qualified employee. The credit is allowed in the first through fifth
3.27 consecutive years of employment. No credit may be claimed for compensation paid to a
3.28 qualified employee after the fifth year of employment of the qualified employee.

3.29 (b) The credit equals ten percent of the compensation paid to a qualified employee each
3.30 year. The credit must not exceed \$15,000 each year for each qualified employee. The credit
3.31 is limited to the qualified employer's liability for tax. The credit is not refundable and may
3.32 not be carried forward.

3.33 Subd. 5. Qualified employer credits; pass through entities. Credits under subdivisions
3.34 3 and 4 allowed to a partnership, a limited liability company taxed as a partnership, an S

4.1 corporation, or multiple owners of property are passed through to the partners, members,
4.2 shareholders, or owners, respectively, pro rata to each based on the partner's, member's,
4.3 shareholder's, or owner's share of the entity's assets or as specially allocated in the
4.4 organizational documents or any other executed agreement, as of the last day of the taxable
4.5 year.

4.6 Subd. 6. **Reports.** Beginning January 15, 2026, and each year thereafter, the
4.7 commissioner must submit a written report to the chairs and ranking minority members of
4.8 the legislative committees with jurisdiction over taxes, in compliance with sections 3.195
4.9 and 3.197, on the tax credits issued under this section. The report must include information
4.10 regarding the cost and effectiveness of the tax credit program. The report may also include
4.11 any recommendations for changes to law necessary to implement the credit.

4.12 Subd. 7. **Expiration.** No new credits may be earned for taxable years beginning after
4.13 December 31, 2028. Credits allowed under this section may be claimed for taxable years
4.14 beginning before January 1, 2033. This section expires January 1, 2033, for taxable years
4.15 beginning after December 31, 2032.

4.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.17 31, 2023.