

**SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION**

**S.F. No. 121**

(SENATE AUTHORS: HAWJ)

DATE  
01/12/2017

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Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to taxation; income and corporate franchise; providing a tax credit for  
1.3 certain employers; proposing coding for new law in Minnesota Statutes, chapter  
1.4 290.

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

1.6 Section 1. **[290.0682] TAX CREDIT FOR EMPLOYERS OF LOW-INCOME**  
1.7 **MEMBERS OF COMMUNITIES OF COLOR.**

1.8 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following definitions  
1.9 apply.

1.10 (b) "Qualified employee" means an employee as defined in section 290.92, subdivision  
1.11 1, who meets the following criteria:

1.12 (1) the employee is a resident of Minnesota on the date of hire;

1.13 (2) the employee is paid wages as defined in section 290.92, subdivision 1;

1.14 (3) the employee's wages are attributable to Minnesota under section 290.191, subdivision  
1.15 12;

1.16 (4) the employee is an individual from a community of color residing in a low-income  
1.17 area, as defined under section 116M.14; and

1.18 (5) the employee is employed by the qualified employer for at least six continuous  
1.19 months from the date of hire.

1.20 (c) "Qualified employee" does not include:

2.1 (1) any employee who bears any of the relationships to the employer described in  
2.2 subparagraphs (A) to (G) of section 152(d)(2) of the Internal Revenue Code;

2.3 (2) if the employer is a corporation, an employee who owns, directly or indirectly, more  
2.4 than 50 percent in value of the outstanding stock of the corporation, or if the employer is  
2.5 an entity other than a corporation, an employee who owns, directly or indirectly, more than  
2.6 50 percent of the capital and profits interests in the entity, as determined with the application  
2.7 of section 267(c) of the Internal Revenue Code; or

2.8 (3) if the employer is an estate or trust, any employee who is a fiduciary of the estate or  
2.9 trust, or is an individual who bears any of the relationships described in subparagraphs (A)  
2.10 to (G) of section 152(d)(2) of the Internal Revenue Code to a grantor, beneficiary, or fiduciary  
2.11 of the estate or trust.

2.12 (d) "Qualified employer" means an employer that:

2.13 (1) hired a qualified employee; and

2.14 (2) qualifies as a small business under this subdivision.

2.15 (e) "Date of hire" means the day that the qualified employee begins performing services  
2.16 as an employee of the qualified employer.

2.17 (f) "Small business" means a business entity organized for profit with its headquarters  
2.18 in Minnesota that employs not more than 60 full-time equivalent employees at any time  
2.19 during the taxable year, including but not limited to any individual, partnership, corporation,  
2.20 joint venture, association, or cooperative. If another business owns at least 20 percent of  
2.21 the small business, then the sum of the number of full-time equivalent employees employed  
2.22 by the small business and the number of full-time equivalent employees employed by any  
2.23 other business that owns at least 20 percent of the small business must not be more than 50  
2.24 full-time equivalent employees at any time during the taxable year.

2.25 **Subd. 2. Credit for hiring low-income members of communities of color.** A qualified  
2.26 employer required to file a return under section 289A.08, subdivision 1, 2, or 3, who hires  
2.27 a qualified employee is allowed a credit against the tax imposed by this chapter equal to ...  
2.28 percent of the wages paid to the qualified employee during the taxable year, but the amount  
2.29 of the credit must not exceed \$..... per qualified employee in a taxable year. The credit is  
2.30 limited to the liability for tax under this chapter for the taxable year. A qualified employer  
2.31 is not eligible for the credit if the qualified employer currently employs or has previously  
2.32 employed the qualified employee. The commissioner shall prescribe the manner in which  
2.33 the credit must be claimed.

3.1 Subd. 3. **Flow-through entities.** Credits granted to a partnership, limited liability  
3.2 company taxed as a partnership, S corporation, or multiple owners of a business are passed  
3.3 through to the partners, members, shareholders, or owners, respectively, pro rata to each  
3.4 partner, member, shareholder, or owner based on the partner's, member's, shareholder's, or  
3.5 owner's share of the entity's assets or as specially allocated in the entity's organizational  
3.6 documents, as of the last day of the taxable year.

3.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.8 31, 2017.