

March 6, 2026

| | | |
|----------------------------------|------------|-----------|
| | Yes | No |
| DOR Administrative Costs/Savings | | X |

Department of Revenue
Analysis of S.F. 3865 (Putnam) / H.F. 3792 (Youakim)

| | Fund Impact | | | |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2026</u> | <u>F.Y. 2027</u> | <u>F.Y. 2028</u> | <u>F.Y. 2029</u> |
| | | (000's) | | |
| General Fund | \$0 | (\$2,400) | (\$2,400) | (\$2,400) |

Effective beginning with tax year 2026.

EXPLANATION OF THE BILL

Current Law: AmeriCorps, also called the Corporation for National and Community Service (CNCS), is an independent agency of the United States government which enrolls volunteers to serve directly with nonprofit organizations. Volunteers serve a term for a specified number of months and may receive certain financial benefits. Currently, Minnesota offers an income tax subtraction for national service educational awards received from the National Service Trust, a fund established to pay for AmeriCorps Education Awards. Other forms of compensation for AmeriCorps volunteers are generally treated as taxable.

Proposed Law: The bill would expand the current subtraction to make certain other forms of AmeriCorps compensation non-taxable under Minnesota law:

- 1) Stipends paid to an AmeriCorps volunteer authorized under U.S. Code, title 42, section 4955;
- 2) Living allowances provided to National Civilian Community Corps (NCCC) volunteers under U.S. Code, title 42, section 12618; and
- 3) Stipends paid to AmeriCorps Senior volunteers under U.S. Code, title 42, sections 5011 and 5013(b).

AmeriCorps volunteer stipends are provided for participation through either:

- 1) ServeMinnesota, the state-level affiliate of AmeriCorps in Minnesota;
- 2) AmeriCorps National Direct and AmeriCorps Indian Tribes, grants provided directly through CNCS typically to organizations which operate in multiple states or federally recognized tribes; or,
- 3) AmeriCorps VISTA (Volunteers in Service to America), a federally sponsored national service program.

REVENUE ANALYSIS DETAIL

- An estimate for tax year 2023 for ServeMinnesota participants was constructed based on stipend data provided by ServeMinnesota.
- Detailed stipend data for AmeriCorps National Direct & Indian Tribes participants was not available. ServeMinnesota provided an estimated number of program participants in Minnesota for 2023, which was multiplied by the assumed average stipend amount nationally to calculate the amount of taxable income affected.

REVENUE ANALYSIS DETAIL (Cont.)

- Similarly, detailed stipend data for AmeriCorps VISTA was not available, but ServeMinnesota also provided an estimate for the number of VISTA volunteers serving in Minnesota. This number of volunteers was multiplied by a weighted average of VISTA Bi-Weekly Living Allowance Amounts for fiscal years 2022 and 2023 to calculate the amount of taxable income affected by the proposal.
- These taxable income amounts were summed and multiplied by the average effective tax rate for recipients of the current AmeriCorps education subtraction, 4.1%, to estimate the revenue impact for tax year 2023.
- The estimate was grown for future years based on historical growth rates for ServeMinnesota's expenses based on their IRS Form 990, available through ProPublica. The growth rate for tax year 2024 was the actual growth rate of ServeMinnesota's expenses in fiscal year 2024. The growth rate for tax year 2025 was the average growth rate from fiscal years 2021 to 2024. The growth rate for years after 2025 is assumed to be zero, based on the observed growth rate from 2017 to 2020.
- Minnesota does not have an NCCC campus. This portion of the subtraction is assumed to have a negligible revenue impact.
- AmeriCorps Senior volunteers are already tax-exempt under federal law. This portion of the subtraction is assumed to have no revenue impact.
- Tax year impacts are allocated to the following fiscal year.

Number of Taxpayers: About 3,100 taxpayers would be affected in tax year 2026. The average decrease in tax would be \$769.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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