

Subject Workforce training credit

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Overview

H.F. 3564 would establish a tax credit for certain direct costs made by employers to train their employees. The credit would be equal to 50 percent of these costs, but limited to \$750 per employee and a maximum of \$100,000 per employer. In addition, only expenses for employees earning \$92,231 or less per year would be eligible for the credit.

Training costs used to claim the credit would also be added back to the taxpayer's taxable income, if the business also deducts the costs.

Summary

Section	Description
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1	Workforce training credit.
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This section establishes a credit for employers' training expenses.

Subd. 1. Definitions. Defines "eligible training expenses" as the direct training costs for training a Minnesota employee. The eligible expenses would include tuition or fees for instruction, instructor salaries, materials, supplies, and textbooks, but would not include rental or other fees for training space. Eligible expenses would include costs for training provided directly by the employer, third parties, or educational institutions, but would not include expenses for employees earning \$92,231 or less per year, based on an annualized wage measure at the time an employee receives the training.

Subd. 2. Credit allowed. Allows a credit to employers equal to 50 percent of their training expenses. Only \$750 per employee would be allowed and the maximum credit per employer would be limited to \$100,000.

Subd. 3. Pass-through entities. Provides that a credit allowed to a pass-through entity is passed through pro rata to the individual business owners.

Section	Description
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Subd. 4. Ten year carryover. Provides that the credit is not refundable, but that unused amounts may be carried forward for ten years.

Effective date: tax years after 2021.

2 Tax expenditure purpose statement.

Provides that the credit's purpose is to encourage investment in training, to attract employees, and increase their skills and productivity. The effectiveness of the credit would be measured by the rate at which employers are able to attract and retain workers.



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