HOUSE RESEARCH

Bill Summary

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Authors: Rosenthal and others

Subject: Charitable contribution tax credit

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Overview

This bill establishes a nonrefundable tax credit for contributions to community foundations. This tax credit would be allowed against the individual income, corporate franchise, and insurance premiums taxes. The maximum credit rate is 25 percent and the maximum credit is $25,000. An annual $2 million limit on credits is established that is to be allocated by the commissioner of the Department of Employment and Economic development (DEED) on a first-come-first-served basis. The tax credit is effective for tax year 2014 and expires after tax year 2028.

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1 **Endow Minnesota Program.** Allows a 25-percent tax credit for qualifying charitable contributions to community foundations.

Subd. 1. Definitions. Defines the following terms:

- **Commissioner** is the commissioner of DEED.
- **Endow Minnesota qualified foundation (EMQF)** is a community foundation or charity that the Minnesota Council on Foundations certifies as a community grant making organization in accordance with its guidelines or national standards.
- **Endowment gift** is an irrevocable gift to a permanent endowment held by an EMQF.

Subd. 2. Endow Minnesota tax credit. Allows a tax credit of up to 25 percent of

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contributions made by individuals, estates, trusts, or corporations to an EMQF. The maximum credit is limited to $25,000. The credit is allowed against individual income, corporate franchise, and insurance premiums taxes. Allows a maximum of $2 million of credits per taxable year. The commissioner is to allocate the credits to applicants on a first-come-first-served basis, based on the day of filing. If applications filed on the same day exceed the remaining limit, credits are allocated on a pro rata basis to the all of the applicants for that day. Ten percent of the credits are reserved for gifts of $30,000 or less. If the reserved amount for a year is not allocated by September 1st, it becomes available for larger gifts. Credits are not transferrable. The commissioner is to certify the amount of the credit allowed to taxpayers.

The commissioner is given rule making authority and is to annually report to the legislature on various effects of the credit. The first report is required to be filed by November 15, 2014. Recipient foundations are required to provide information as required by DEED. The reporting requirement continues until one year following expiration of the program.

Effective date: tax years 2014 through 2028.

2 **Income and corporate franchise tax credit.** Allows the credit for gifts to EMQFs against the corporate franchise and individual income tax. The credit is limited to the amount certified by the commissioner of DEED and cannot exceed the liability for tax (this is limited to the regular tax). That is, the credit is not refundable. Allows a 15-year carryover of excess credits. Allocates credits for contributions made by pass through entities to their partners or shareholders based on their income shares.

Effective date: tax years 2014 through 2028.

3 **Insurance premiums tax credit.** Allows the credit for gifts to EMQFs against the insurance premiums tax. The credit does not affect calculation of police and fire aid.

Effective date: tax years 2014 through 2028.

4 **Appropriation.** Appropriates $50,000 annually in tax years 2014 through 2028 to DEED for the cost of administering the program. (The source fund for this appropriation is not specified.)