HOUSE RESEARCH
Bill Summary

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Overview

This bill establishes a refundable income and corporate franchise tax credit to reimburse Greater Minnesota employers for job training costs. To receive reimbursements employers must apply to the Department of Employment and Economic Development (DEED), enter an agreement specifying what will be covered, and receive a tax credit certificate. The amount of funding is set at $5 million for FY 2016 and $10 million for later years until the program expires at the end of FY 2020. DEED must report to the legislature on the program's usage and effectiveness in 2018.

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1 **Definitions.** Defines terms for purposes of the job training tax credit chapter created by the bill:

Commissioner is the commissioner of DEED.

Disability is defined by reference to federal law (Americans with Disabilities Act).

Employer is any type of entity or individual that enters into an agreement with the commissioner under the tax credit program.

New job is a job provided by a new or expanding business outside of the Twin Cities metropolitan area that provides a minimum of 32 hours of work per week for at least 9 months and is intended to be permanent (i.e., it has no explicit termination date) and was certified by DEED before the job was filled. A new job must not be filled by a former employee of the business or a replacement worker.

Program costs are all the costs of providing training and education directed at new jobs, including both in-house training and services provided by higher education institutions or

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private services. The allowable amounts are increased by $1,000 for an employee with a disability.

Project is a training arrangement that DEED and the employer formally agree qualifies for the tax credit.

2 **Commissioner's duties and powers; agreements.** Direct the commissioner to facilitate the provision of program services to eligible businesses so that they can qualify for the tax credit. This includes entering a written agreement that identifies the program costs that the employer will pay to qualify for a tax credit. The following limits apply:

- On-the-job training costs cannot exceed one-half of gross annual wages and salaries for the first year of a new job.
- Program cost payments cannot be deferred beyond ten years.
- Employees must be paid at least the median hourly wage for the county by the time the training is completed or after 18 months of employment, whichever occurs first.
- The agreement must specify the length of time that training will be provided.

The commissioner cannot enter an agreement unless sufficient tax credit authority is available to fund the agreement. The commissioner is required to notify the commissioner of revenue of the amount of authority allocated to the agreement and identify the employer, the amount of tax credit authority allocated under the agreement, and any other information that the commissioner of revenue requests.

Allocations are made on a first-come-first-serve basis.

An application fee of up to $500 applies. The fee is deposited in tax credit account in the special revenue fund and amounts in the fund are appropriated to the commissioner. The application fee is refunded if the application is denied.

3 **Jobs tax credit.** Provides for repayment of job training costs paid by employers for new employees up to the amount specified under the agreement and in the tax credit certificate. The commissioner of revenue is directed to administer the credit and participating employers are required to provide any information that the commissioner of revenue requires.

4 **Funding limit; report; expiration.** Sets the funding for the tax credit at $5 million for fiscal year 2016 and $10 million per year after that. The credit expires at the end of fiscal year 2020.

DEED is required to report to the legislature by February 1, 2018, on the usage of the program and its effectiveness.

5 **Job training tax credit.** Amends the income and corporate franchise tax chapter to include the job training tax credit, including specifying the manner in which pass-through entities (partnerships, S corporations, and LLCs) will allocate the credit. The credit is refundable and equals the amount specified under the agreement between DEED and the employer as reflected on the tax credit certificate. The commissioner of revenue, however, retains audit powers over qualification for the credit.