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### Overview

This bill provides a nonrefundable tax credit equal to 25 percent of charitable contributions to endowment funds of qualifying Minnesota community foundations. The credit requires a minimum contribution of \$5,000 with a maximum credit of \$25,000 (contribution of \$100,000 required to reach the maximum). The credit applies to the individual income, corporate franchise, and insurance premiums taxes. The maximum annual amount of these credits is limited to \$4 million. Under the author's amendment the credit would apply beginning for contributions made in tax year 2019. The credit would expire after tax year 2032.

#### Section

**1 Addition, individuals.** Requires individual taxpayers to add back the amount of charitable contributions that qualify for the Endow Minnesota Tax Credit and that were deducted in computing federal taxable income (FTI). For individuals who itemize deductions, that limits the Minnesota tax benefit for making qualifying contributions to the amount of the credit.

**Effective date:** tax year 2019

**2 Addition, corporations.** Requires corporate franchise taxpayers to add back the amount of charitable contributions that qualify for the Endow Minnesota Tax Credit and that were deducted in computing federal taxable income (FTI). For corporations making qualifying contributions, that limits the Minnesota tax benefits of those contributions to the amount of the credit.

**Effective date:** tax year 2019

## Section

**3 Allowance of income and corporate franchise tax credit.** Allows individual income and corporate franchise taxpayers to claim the Endow Minnesota Tax Credit for contributions made during the taxable year. To claim the credit, a taxpayer must have received a credit allocation under section 4. The maximum credit is \$25,000 (given the credit's 25-percent rate, a \$100,000 contribution would yield the maximum credit).

Contributions made by pass-through entities (partnerships and S corporations) are allocated to the partners or shareholders based on their shares of the entity's income for the taxable year. The \$25,000 maximum limit applies to individual taxpayers, not at the pass through entity level.

The credit cannot exceed the liability for tax (regular tax only—the credit is not allowed against the alternative minimum taxes). Amounts above that limit are allowed a 15 year carryover to later tax years.

**Effective date:** tax year 2019

**4 Endow Minnesota tax credit.** Establishes the terms and limits for the Endow Minnesota Tax Credit:

- **Minimum contribution.** Requires a minimum contribution of \$5,000 to the permanent endowment fund of a qualifying Minnesota community foundation and requires that the contribution satisfy the federal income rules for a deductible charitable contribution.
- **Definition of foundations.** Defines a qualifying Minnesota community foundation as a foundation organized in Minnesota, Wisconsin, or North Dakota that serves Minnesota metropolitan areas, has multiple donors, supports broad-based charitable interests and other tax exempt organizations with grants, and is certified by the Minnesota Council on Foundations as meeting its and the credit's requirements.
- **Credit rate and maximum.** Establishes the credit rate of 25 percent and imposes a \$25,000 per taxpayer maximum limit on the credit.
- **Applications for credit allocations.** Provides that contributors only qualify for the credit if they apply to the commissioner of the Department of Revenue (DOR) and receive a credit allocation; the allocation process is required to permit administration of the annual dollar limit on credits. Allocations are made on a first-come-first-served basis, subject to the various allocation rules. A contributor that receives an allocation must make the contribution within 60 days of receiving the allocation or the allocation cancels. Applications for allocation are treated as private data on individuals under the government data practices act.
- **Annual credit limit.** Sets a \$4 million annual limit on credits and allocates \$300,000 of that amount for contributions of \$30,000 or less. In addition, an annual \$750,000 limit per foundation applies. Any unused amounts of the \$4 million limit carry forward and can be allocated in later years.
- **Reporting.** Requires foundations receiving creditable contributions to report annually to DOR and DOR to biennially report to the legislature on the amounts of credits, recipient foundations, their activities, and other information.

**Section**

- **Administrative appropriation.** Appropriates \$50,000 per year (starting in FY 2019) to DOR to administer the credit.
- **Expiration.** Provides the credit expires after tax year 2032.

**5 Allowance of insurance premiums tax credit.** Allows insurance companies subject to the premiums tax to claim the Endow Minnesota Tax Credit. To claim the credit, a taxpayer must have received a credit allocation under section 4. The maximum credit is \$25,000.

The credit cannot exceed the liability for tax after allowance of nonrefundable credits. Amounts above that limit are allowed a 15 year carryover to later tax years.

**Effective date:** tax year 2019