HOUSE RESEARCH

Bill Summary

File Number: H.F. 320 **Date:** March 3, 2017
Version: As amended by the H0320A2 amendment

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Subject: Scholarship build credit

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Overview

Provides a refundable income and corporate franchise tax credit to businesses that make cash or in-kind contributions to Minnesota State foundations to advance education of students for employment in high-demand occupations. Cash contributions are used to provide scholarships, and in-kind contributions are used directly in the academic programs. The credit equals 50 percent of the amount contributed, up to a maximum of $2,000 for cash contributions and $4,000 for in-kind. The maximum credit allowed to a business that makes multiple contributions is $50,000 in a tax year. Requires the commissioner of employment and economic development (DEED) to prioritize credit applications to those that would help students preparing for high-demand occupations with the highest job gap, defined as the difference between the job vacancy rate for the high-demand occupation in the college's economic development region (EDR), and the overall job vacancy rate in the EDR. Limits total credits statewide to $10 million per year.

Effective date: tax year 2018

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1 **Data practices; scholarship build credit.** Provides a cross reference in chapter 13 (the data practices act chapter) to the data practices provisions of the scholarship build credit under section 2.

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2 **Scholarship build credit.** Provides a scholarship build tax credit for businesses that have job vacancies in high-demand occupations and that make cash contributions to fund scholarships in academic programs in high-demand occupations, or in-kind contributions for use in academic programs related to high-demand occupations.

Subd. 1. Definitions. Defines the terms for the credit. Key terms are:

- **Contribution** is an in-kind or cash contribution to a foundation affiliated with a state college or university designed for use by an eligible program or department.
- **Eligible department or program** is a department or program at a Minnesota State institution that educates students for employment in a high-demand occupation.
- **High-demand occupation** is an occupation that has a job vacancy rate in the economic development region (EDR) in which the college or university is located that is higher than the overall job vacancy rate in the EDR.
- **Job vacancy rate** is the rate reported in the job vacancy survey in the fourth quarter of the preceding calendar year.
- **Qualified taxpayer** means a taxpayer certified by DEED under subdivision 3.

Subd. 2. Credit allowed. Allows a 50 percent, refundable credit for contributions. The maximum credit for a tax year is $2,000 for a cash contribution and $4,000 for an in-kind contribution, and the maximum for any qualified taxpayer is $50,000 per year. A qualified taxpayer must apply for and be allocated a credit before making the contribution specified in the application in order to receive a credit.

Provides $10 million in credits per year beginning in tax year 2018. If the commissioner does not allocate the full $10 million in any year, any remaining amount carries over to future tax years.

Subd. 3. Taxpayer certification and credit allocation. Requires businesses to apply to the commissioner for certification as qualified taxpayers. In order to be certified the business must have had or anticipate having at least one job vacancy in a high-demand occupation. A business may apply for one credit for each job vacancy.

The application must include a description of the job vacancy, indicate the foundation to which the business intends to make a contribution, state if the contribution will be cash or in-kind, and state the amount of the contribution. The commissioner must make applications available by November 15 of the year preceding the tax year, and applications are due by March 15 of the tax year in which the credits are to be allocated.

By April 15 the commissioner must determine the job gap for each application. Job gap is the difference between the job vacancy rate in the EDR for the high-demand occupation for which the academic program designated to receive the contribution educates students, and the overall job vacancy rate in the EDR. The commissioner must prioritize credit applications to those with the highest job gap. By April 30 the

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commissioner must allocate credits based on the job gap, and must notify applicants if they were or were not allocated a credit.

Subd. 4. Credit certificates. Qualified taxpayers must make the contribution specified in the credit application by October 15; if they do not the credit allocation cancels and is available for reallocation. Requires DEED to provide credit certificates after receiving notification that the contribution was made.

Subd. 5. Data privacy. Classifies data in certification applications from qualified taxpayers private, except the following items for each credit certificate are public:

- the EDR in which the qualified taxpayer is located;
- the occupation in which the qualified taxpayer had a job vacancy;
- the amount of the credit certificate and the contribution; and
- the name of the foundation that received the contribution and the academic program or department designated for the contribution.

Subd. 6. Report. Requires DEED to report annually on the program to the higher education, jobs and economic development, and tax committees of the legislature. The report must provide information on:

- the number and dollar amount of contributions to each foundation that received contributions resulting in credits;
- amounts contributed to academic programs and departments grouped by EDR and industry type of the academic program or department;
- amount of credits awarded grouped by EDR and industry type of qualified taxpayers;
- number and dollar amounts of allocations for which certificates were not issued because the taxpayer did not make a contribution;
- program completion and job placement rates for students in programs and departments that received contributions for which credits were issued, in the year before the contributions were made and the year of the contribution;
- number and dollar amount of scholarships awarded to students in programs and departments that received contributions for which credits were issued, in the year before the contributions were made and the year of the contribution; and
- an assessment of the success of the program in increasing the number of students completing programs and accepting employment in high-demand occupations.

3 **Scholarship build credit.** Allows the scholarship build credit, as described under section 2, to be claimed against the individual income tax by pass-through entities (limited liability companies, S corporations, partnerships, and the like) and against the corporate franchise tax by C-corporations. The commissioner of revenue retains the right to audit eligibility for the credit, despite the certification by the commissioner of DEED of an investor’s eligibility for

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the credit. Makes the credit refundable, and provides an open appropriation for payment of refunds.

Effective date: The credit is effective beginning in tax year 2018.

4 **Appropriation.** Appropriates $300,000 in fiscal years 2018 and 2019 to the commissioner of DEED for administering the credit.

5 **Purpose statement.** Provides that the purpose of the scholarship build credit is to encourage private-sector employers to make cash and in-kind contributions to Minnesota State foundations, which can then provide scholarships to students in high-demand occupations.