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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **361**

January 25, 2007

Authored by Welti, Demmer, Thissen, Urdahl, Haws and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; providing for a regional investment credit; amending
1.3 Minnesota Statutes 2006, section 290.06, by adding a subdivision.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2006, section 290.06, is amended by adding a
1.6 subdivision to read:

1.7 Subd. 34. Regional investment credit. (a) A credit is allowed against the tax
1.8 imposed by this chapter for investment in a qualifying regional investment fund. The
1.9 credit equals 25 percent of the taxpayer's investment made in the fund for the taxable
1.10 year, but not to exceed the least of:

1.11 (1) the liability for tax under this chapter, including the applicable alternative
1.12 minimum tax, but excluding the minimum fee under section 290.0922;

1.13 (2) the amount of the certificate under paragraph (c) provided to taxpayer by the
1.14 fund; and

1.15 (3) \$..... in the case of a single taxpayer, \$..... in the case of a married couple filing
1.16 a joint return, and \$..... in the case of a C corporation.

1.17 (b) For purposes of this subdivision, the following requirements apply.

1.18 (1) A regional investment fund means a pooled investment fund that invests in
1.19 qualifying small businesses located in the region of the state that is the focus of the
1.20 fund. A minimum of two-thirds of the governing body of the fund must be residents of
1.21 the region. Investments in the fund may consist of equity investments or notes that pay
1.22 interest or other fixed amounts or any combination of both, as the fund's governing body
1.23 determines appropriate. The fund must allocate at least 70 percent of the funds it invests

2.1 to qualified small businesses that meet local community needs, such as the production of
2.2 goods and services for markets within the region.

2.3 (2) To be a qualifying small business, a business must satisfy either of the following
2.4 requirements:

2.5 (i) its annual revenues for the most recent taxable year that ended before the fund
2.6 invested in the business may not exceed \$.....; or

2.7 (ii)(A) it may not employ more than 50 full-time equivalent employees when the
2.8 investment was made;

2.9 (B) 51 percent of the ownership interests in the business, excluding any equity
2.10 interest of the fund, must be held by residents of the region; and

2.11 (C) the business must pay wages and benefits, measured on a full-time equivalent
2.12 basis, to 75 percent or more of its employees equal to 175 percent of the federal poverty
2.13 level for a family of four.

2.14 (c) Regional investment funds may apply to the commissioner of employment
2.15 and economic development for certification as a qualified regional investment fund.

2.16 The application must be in the form and made under the procedures specified by
2.17 the commissioner of employment and economic development. The commissioner
2.18 of employment and economic development may certify up to ten funds and provide
2.19 certificates entitling investors in the fund to credits under this subdivision of up to
2.20 \$250,000 for each. Of the ten funds, the commissioner may designate no more than three
2.21 funds that serve more than 15 Minnesota counties. In awarding certificates under this
2.22 paragraph, the commissioner of employment and economic development shall seek to
2.23 certify funds that are broadly dispersed across the entire state. No more than 25 percent of
2.24 the certificates may be issued to funds that permit investments in businesses located in
2.25 the metropolitan area, as defined in section 473.121, subdivision 2. The commissioner
2.26 of employment and economic development may not issue a total amount of certificates
2.27 for all funds of more than \$.....

2.28 (d) The commissioner of employment and economic development shall enter an
2.29 agreement with each fund awarded credit certificates under paragraph (c). This agreement
2.30 must include the fund's agreement to comply with the requirements of this subdivision,
2.31 as well as the specific manner in which the fund agrees to satisfy the requirement to
2.32 allocate at least 70 percent of its investments to qualified small businesses that meet
2.33 local community needs.

2.34 (e) If the amount of the credit under this subdivision for any taxable year exceeds the
2.35 limitations under paragraph (a), clause (1), the excess is a credit carryover to each of the
2.36 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable

3.1 year must be carried first to the earliest of the taxable years to which the credit may be
3.2 carried. The amount of the unused credit that may be added under this paragraph may not
3.3 exceed the taxpayer's liability for tax less the credit for the taxable year.

3.4 **EFFECTIVE DATE.** This section is effective July 1, 2007, for taxable years
3.5 beginning after December 31, 2006, and only applies to investments made after the fund
3.6 has been certified by the commissioner of employment and economic development.