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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 751

02/12/2015 Authored by Kiel, Gunther, Nornes, Norton, Urdahl and others

The bill was read for the first time and referred to the Committee on Greater Minnesota Economic and Workforce Development Policy

03/05/2015 Adoption of Report: Re-referred to the Committee on Job Growth and Energy Affordability Policy and Finance

03/16/2015 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to workforce development; providing a job training tax credit; requiring
1.3 a report; appropriating money; proposing coding for new law in Minnesota
1.4 Statutes, chapters 116L; 290.

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

1.6 Section 1. **[116L.40] DEFINITIONS.**

1.7 Subdivision 1. **Scope.** When used in sections 116L.40 to 116L.43, the following
1.8 terms have the meanings given them unless the context requires otherwise.

1.9 Subd. 2. **Agreement.** "Agreement" means the agreement between an employer and
1.10 the commissioner for a project.

1.11 Subd. 3. **Commissioner.** "Commissioner" means the commissioner of employment
1.12 and economic development.

1.13 Subd. 4. **Disability.** "Disability" has the meaning given under United States Code,
1.14 title 42, chapter 126.

1.15 Subd. 5. **Employee.** "Employee" means the individual employed in a new job.

1.16 Subd. 6. **Employer.** "Employer" means the individual, corporation, partnership,
1.17 limited liability company, or association providing new jobs and entering into an agreement.

1.18 Subd. 7. **Jobs credit.** "Jobs credit" or "credit" means the credit under section
1.19 116L.42.

1.20 Subd. 8. **New job.** "New job" means a job:

1.21 (1) that is provided by a new or expanding business at a location in Minnesota
1.22 outside of the metropolitan area, as defined in section 473.121, subdivision 2;

1.23 (2) that provides at least 32 hours of work per week for a minimum of nine months
1.24 of the year and is permanent with no planned termination date;

2.1 (3) that is certified by the commissioner as qualifying under the program before the
2.2 first employee is hired to fill the job; and

2.3 (4) for which an employee hired was not (i) formerly employed by the employer
2.4 in the state or (ii) a replacement worker, including a worker newly hired as a result of a
2.5 labor dispute.

2.6 Subd. 9. **Program.** "Program" means the project or projects established under
2.7 sections 116L.40 to 116L.43.

2.8 Subd. 10. **Program costs.** "Program costs" means all necessary and incidental
2.9 costs of providing program services, except that program costs are increased by \$1,000
2.10 per employee for an individual with a disability. The term does not include the cost of
2.11 purchasing equipment to be owned or used by the training or educational institution or
2.12 service.

2.13 Subd. 11. **Program services.** "Program services" means training and education
2.14 specifically directed to new jobs that are determined to be appropriate by the commissioner,
2.15 including in-house training; services provided by institutions of higher education and
2.16 federal, state, or local agencies; or private training or educational services. Administrative
2.17 services and assessment and testing costs are included.

2.18 Subd. 12. **Project.** "Project" means a training arrangement that is the subject of an
2.19 agreement entered into between the commissioner and an employer to provide program
2.20 services.

2.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.22 Sec. 2. **[116L.41] COMMISSIONER'S DUTIES AND POWERS; AGREEMENTS.**

2.23 Subdivision 1. **Service provision.** Upon request, the commissioner shall provide
2.24 or coordinate the provision of program services under sections 116L.40 to 116L.43 to a
2.25 business eligible for a tax credit under section 116L.42. The commissioner shall specify
2.26 the form of and required information to be provided with applications for projects to be
2.27 funded with tax credits under section 116L.42.

2.28 Subd. 2. **Agreement; required terms.** (a) The commissioner may enter into an
2.29 agreement to establish a project with an employer that:

2.30 (1) identifies program costs to be paid from sources under the program;

2.31 (2) agrees to pay the program costs;

2.32 (3) provides that any deferral of program cost payments may not exceed ten years
2.33 after execution of the agreement;

3.1 (4) provides that on-the-job training costs for employees may not exceed 50 percent
3.2 of the annual gross wages and salaries of the new jobs in the first full year after execution
3.3 of the agreement;

3.4 (5) provides that each employee must be paid wages at least equal to the median
3.5 hourly wage for the county in which the job is located, as reported in the most recently
3.6 available data from the United States Bureau of the Census, plus benefits, by the earlier of
3.7 the end of the training period or 18 months of employment under the project and through
3.8 the period in which funding under the program applies; and

3.9 (6) provides that job training will be provided and the length of time of training.

3.10 (b) Before entering into a final agreement, the commissioner shall:

3.11 (1) determine that sufficient tax credit authority for the project is available under
3.12 section 116L.43; and

3.13 (2) investigate the applicability of other training programs and determine whether
3.14 the job skills partnership grant program is a more suitable source of funding for the
3.15 training and whether the training can be completed in a timely manner that meets the
3.16 needs of the business.

3.17 The investigation under clause (2) must be completed within 15 days or as soon
3.18 as reasonably possible after the employer has provided the commissioner with all the
3.19 requested information.

3.20 Subd. 3. **Tax credit authority; notification.** The commissioner must not execute
3.21 an agreement unless the commissioner determines that sufficient tax credit authority is
3.22 available and has awarded the project tax credit authority under section 116L.43. Upon
3.23 execution of the agreement, the commissioner shall notify the commissioner of revenue of
3.24 the terms of the agreement, including the amount of authorized tax credits, the identity of
3.25 the employer, and any additional information that the commissioner of revenue specifies.

3.26 Subd. 4. **Allocation.** The commissioner shall allocate tax credit authority available
3.27 under section 116L.43, to project applications based on a first-come, first-served basis,
3.28 determined on the basis of the commissioner's receipt of a complete application for the
3.29 project, including the provision of all of the required information. The agreement and the
3.30 tax credit certificates for the agreement must specify the amount of tax credit authority
3.31 available to the employer for each taxable year covered by the agreement.

3.32 Subd. 5. **Application fee.** The commissioner may charge each employer an
3.33 application fee to cover part or all of the administrative and legal costs incurred, not to
3.34 exceed \$500 per employer. The fee is deemed approved under section 16A.1283. The fee
3.35 is deposited in the jobs tax credit account in the special revenue fund and amounts in the
3.36 account are appropriated to the commissioner for the costs of administering the program.

4.1 The commissioner shall refund the fee to the employer if the application is denied because
4.2 program funding is unavailable for the year under the limit in section 116L.43.

4.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.4 Sec. 3. **[116L.42] JOBS TAX CREDIT.**

4.5 Subdivision 1. **Recovery of program costs; tax credit.** Amounts paid by employers
4.6 for program costs are repaid by receipt of a jobs credit equal to the lesser of the following
4.7 amounts for the taxable year:

4.8 (1) the amount of program costs specified in the agreement for the project and
4.9 reflected on a tax credit certificate provided by the commissioner to the employer; or

4.10 (2) the amount of program costs paid by the employer for new employees under
4.11 a project.

4.12 Subd. 2. **Administration.** (a) The commissioner of revenue shall administer
4.13 this section. The commissioner shall cooperate with the commissioner of revenue in
4.14 administering the tax credit, including collecting and providing any information regarding
4.15 the project, employer, and employees that the commissioner of revenue specifies as
4.16 necessary to administer the tax credit.

4.17 (b) Each participating employer shall provide any information the commissioner
4.18 of revenue requires.

4.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.20 December 31, 2014.

4.21 Sec. 4. **[116L.43] FUNDING LIMIT; REPORT; EXPIRATION.**

4.22 Subdivision 1. **Funding limit.** (a) The following amounts of tax credit authority are
4.23 allocated to the commissioner for agreements entered into under section 116L.41:

4.24 (1) \$5,000,000 for fiscal year 2016; and

4.25 (2) \$10,000,000 for each subsequent fiscal year until the program expires under
4.26 this section.

4.27 (b) The commissioner must not enter into agreements under section 116L.41 that
4.28 authorize training to be reimbursed by the program in excess of the amount of tax credit
4.29 authority available under paragraph (a), and must maintain records that reconcile the
4.30 amount of tax credits authorized under agreements and their tax credit certificates for
4.31 each project by taxable year and fiscal year.

4.32 Subd. 2. **Report.** (a) By February 1, 2018, the commissioner shall report to the
4.33 governor and the legislature on the program. The report must include at least:

- 5.1 (1) the amount of credits issued under the program;
5.2 (2) the number of individuals receiving training under the program, including the
5.3 number of new hires who are individuals with disabilities;
5.4 (3) the number of new hires attributable to the program, including the number of
5.5 new hires who are individuals with disabilities;
5.6 (4) an analysis of the effectiveness of the credit in encouraging employment; and
5.7 (5) any other information the commissioner determines appropriate.

5.8 (b) The report to the legislature must be distributed as provided in section 3.195.

5.9 Subd. 3. **Expiration.** The authority of the commissioner to enter into agreements
5.10 authorizing new training under section 116L.41 expires June 30, 2020.

5.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.12 Sec. 5. **[290.0693] JOB TRAINING TAX CREDIT.**

5.13 Subdivision 1. **Definitions.** (a) For purposes of this section, terms defined in section
5.14 116L.40 have the meanings given in that section.

5.15 (b) "Pass-through entity" means a corporation that for the applicable tax year
5.16 is: (1) treated as an S corporation or a general partnership, limited partnership, limited
5.17 liability partnership, trust, or limited liability company; and (2) not taxed as a corporation
5.18 under chapter 290.

5.19 Subd. 2. **Credit allowed.** An employer is allowed a credit against the tax imposed
5.20 under this chapter for the recovery of program costs, as provided under sections 116L.40
5.21 to 116L.43, for the taxable year. The credit equals the amount of program costs incurred
5.22 or paid and applies to the taxable year indicated on the tax credit certificate provided to the
5.23 employer under sections 116L.40 to 116L.43.

5.24 Subd. 3. **Proportional credits.** Each pass-through entity must provide each
5.25 partner, shareholder, or beneficiary a statement indicating the partner's, shareholder's, or
5.26 beneficiary's share of the credit amount certified to the pass-through entity based on its
5.27 proportionate share of the pass-through entity's income.

5.28 Subd. 4. **Credit refundable.** If the amount of the credit under this section for any
5.29 taxable year exceeds the claimant's liability for tax under this chapter, the commissioner
5.30 shall refund the excess to the claimant. An amount sufficient to pay the refunds required
5.31 by this section is appropriated to the commissioner from the general fund.

5.32 Subd. 5. **Audit powers.** Notwithstanding the agreement entered into under section
5.33 116L.41, subdivision 2, the commissioner may utilize any audit and examination powers
5.34 under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible
5.35 for the credit and to assess for the amount of any improperly claimed credit.

- 6.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
6.2 December 31, 2014.