

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 1652

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DATE	D-PG	OFFICIAL STATUS
05/09/2013	3472	Introduction and first reading Referred to Taxes

A bill for an act

relating to taxation; providing tax credits to encourage charitable contributions; establishing an Endow Minnesota program; authorizing rulemaking; appropriating money; amending Minnesota Statutes 2012, sections 290.06, by adding a subdivision; 297I.20, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 116J.

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

Section 1. **[116J.9821] ENDOW MINNESOTA PROGRAM.**

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of employment and economic development.

(c) "Endow Minnesota qualified community foundation" means a community foundation or public charity operating and organized in this state that, as verified by the commissioner based on a certification by the Minnesota Council on Foundations, makes grants to one or more nonprofit organizations that are unaffiliated with the qualified community foundation, and:

(1) complies with the Minnesota Council on Foundations guidelines for membership by a community foundation or public charity and subscribes to the principles of grantmaking established by the Minnesota Council on Foundations; or

(2) is certified by the national Council on Foundations to comply with national standards.

(d) "Endowment gift" means an irrevocable contribution to a permanent endowment held by an Endow Minnesota qualified community foundation.

2.1 Subd. 2. **Endow Minnesota tax credit.** (a) A tax credit of up to a maximum of 25
2.2 percent of the contribution amount is allowed to an individual, estate, trust, or corporation
2.3 for a contribution made to an Endow Minnesota qualified community foundation for a
2.4 permanent endowment fund established to substantially benefit a charitable cause in this
2.5 state, against the taxes imposed under chapters 290 and 297I. The amount of the tax credit
2.6 claimed may not exceed \$25,000. The tax credit is limited to the amount certified by the
2.7 commissioner to the taxpayer under paragraph (f).

2.8 (b) The commissioner shall prescribe the manner in which credits may be claimed
2.9 and issued, but must allocate credits in the order that the claim application is filed. All tax
2.10 credit claims filed with the department on the same day must be treated as having been
2.11 filed contemporaneously. If two or more tax credit claims are filed on the same day, and
2.12 the aggregate amount of credit allocation claims exceeds the aggregate limit of credits
2.13 allowed under paragraph (c) or the lesser amount of credits that remain unallocated on that
2.14 day, then the credits must be allocated among the taxpayers who filed on that day on a
2.15 pro rata basis with respect to the amounts claimed. The pro rata allocation for any one
2.16 taxpayer is the product obtained by multiplying a fraction, the numerator of which is the
2.17 amount of the credit allocation claim filed on behalf of a taxpayer and the denominator of
2.18 which is the total of all credit allocation claims filed on behalf of all applicants on that day,
2.19 by the amount of credits that remain unallocated on that day for the taxable year.

2.20 (c) The aggregate amount of tax credits authorized under this subdivision may not
2.21 exceed \$2,000,000 for a taxable calendar year.

2.22 (d) At least ten percent of the aggregate amount of tax credits authorized in a
2.23 calendar year shall be reserved for endowment gifts in amounts of \$30,000 or less. If, by
2.24 September 1 of a calendar year, ten percent of the reserved tax credits is not distributed,
2.25 the remaining tax credits are available to any other eligible applicants.

2.26 (e) A tax credit is not transferable to any other taxpayer.

2.27 (f) The commissioner shall develop a system for registration and authorization of
2.28 tax credits under this subdivision and shall control the distribution of all tax credits to
2.29 taxpayers providing an endowment gift subject to this subdivision. The commissioner
2.30 shall certify to each authorized taxpayer the tax credit amount, by taxable year, for which
2.31 the taxpayer qualifies.

2.32 (g) The commissioner may adopt administrative rules under chapter 14 for the
2.33 qualification and administration of endowment gifts.

2.34 (h) The commissioner shall monitor and report on the impact of the Endow
2.35 Minnesota program on promoting development of jobs, community development,
2.36 increasing community foundation endowments, and capturing generational transfer of

3.1 wealth for benefit in Minnesota communities. The commissioner may collaborate with
3.2 the Minnesota Council on Foundations in providing the report. The commissioner shall
3.3 report biennially to the legislature beginning November 1, 2014, and shall continue to
3.4 report until one year after the expiration of the Endow Minnesota program. Each Endow
3.5 Minnesota qualified community foundation certified to receive a tax credit must agree to
3.6 provide information as required by the commissioner for monitoring and reporting.

3.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.8 December 31, 2013, through the taxable year ending December 31, 2028.

3.9 Sec. 2. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision
3.10 to read:

3.11 Subd. 36. **Endow Minnesota tax credit.** (a) A taxpayer is allowed a credit against
3.12 the tax under subdivision 1 or 2c equal to the amount certified by the commissioner
3.13 of employment and economic development under section 116J.9821, subdivision 2,
3.14 paragraph (f), to the taxpayer for the taxable year.

3.15 (b) Credits allowed to a partnership, limited liability company taxed as a partnership,
3.16 S corporation, or multiple owners of property are passed through to the partners, members,
3.17 shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or
3.18 owner based on their share of the entity's income for the taxable year.

3.19 (c) The credit is limited to the liability for tax. "Liability for tax" for purposes of
3.20 this subdivision means the tax imposed under subdivision 1 or 2c, as applicable, for the
3.21 taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

3.22 (d) For a corporation that is a partner in a partnership, the credit allowed for the
3.23 taxable year is limited to the lesser of the amount determined under paragraph (c) for the
3.24 taxable year or an amount, separately computed with respect to the corporation's interest
3.25 in the trade, business, or entity, equal to the amount of tax attributable to that portion of
3.26 taxable income that is allocable or apportionable to the corporation's interest in the trade,
3.27 business, or entity.

3.28 (e) If the amount of the credit determined under this subdivision for any taxable year
3.29 exceeds the limitation under paragraph (c), the excess is a credit carryover to each of
3.30 the 15 succeeding taxable years or through the expiration date of the Endow Minnesota
3.31 program. The entire amount of the excess unused credit for the taxable year is carried
3.32 first to the earliest of the taxable years to which the credit may be carried and then to each
3.33 successive year to which the credit may be carried. The amount of the unused credit that
3.34 may be added under this paragraph is limited to the taxpayer's liability or tax, less the
3.35 credit for the taxable year.

4.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.2 December 31, 2013, through the taxable year ending December 31, 2028.

4.3 Sec. 3. Minnesota Statutes 2012, section 297I.20, is amended by adding a subdivision
4.4 to read:

4.5 Subd. 4. **Endow Minnesota tax credit.** An insurance company may claim a credit
4.6 against the premiums tax imposed under this chapter equal to the amount of the credit
4.7 certificate issued to it under section 116J.9821. This credit does not affect the calculation
4.8 of police and fire aid under section 69.021.

4.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.10 December 31, 2013, through the taxable year ending December 31, 2028.

4.11 Sec. 4. **APPROPRIATION.**

4.12 \$50,000 each year is appropriated to the commissioner of employment and economic
4.13 development for the Endow Minnesota program. The commissioner may solicit and
4.14 accept contributions from government or private entities to administer or evaluate the
4.15 Endow Minnesota program.

4.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.17 December 31, 2013, through the taxable year ending December 31, 2028.