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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 4020

03/19/2018 Authored by Ward and Davids 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; individual income and corporate franchise; allowing a credit
1.3 for donations to certain youth intervention organizations; appropriating money;
1.4 proposing coding for new law in Minnesota Statutes, chapters 290; 299A.

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

1.6 Section 1. 290.0693 YOUTH INTERVENTION DONATION TAX CREDIT.

1.7 Subdivision 1. Definitions. For purposes of this section, the definitions in section
1.8 299A.281, subdivision 1, apply.

1.9 Subd. 2. Credit allowed. (a) A taxpayer is allowed a credit against the tax under this
1.10 chapter, other than the tax imposed under section 290.0922, for donations made to a qualified
1.11 youth intervention organization for the taxable year. The credit equals the lesser of 50
1.12 percent of the amount of the donation or the amount on the certificate provided to the
1.13 taxpayer, but the maximum credit in any taxable year is limited to the amount of the liability
1.14 for tax.

1.15 (b) A taxpayer must provide a copy of the receipt provided by the qualified organization
1.16 when claiming the credit for the donation if requested by the commissioner.

1.17 Subd. 3. Carryover. If the amount of the credit under this section for any taxable year
1.18 exceeds the liability of tax for the taxable year, the excess is a credit carryover to each of
1.19 the five succeeding taxable years. The entire amount of the excess unused credit for the
1.20 taxable year must be carried first to the earliest of the taxable years to which the credit may
1.21 be carried. The amount of the unused credit allowed under this paragraph may not exceed
1.22 the taxpayer's liability for tax, less the credit for the taxable year. No credit may be carried
1.23 to a taxable year more than five years after the taxable year in which the credit was earned.

2.1 Subd. 4. **Proportional credits.** A pass-through entity must provide each shareholder,
 2.2 partner, or member a statement indicating the individual's share of the credit amount certified
 2.3 to the entity based on its share of the pass-through entity's income for the taxable year.

2.4 Subd. 5. **Audit powers.** Notwithstanding the certification eligibility issued by the
 2.5 commissioner of public safety under section 299A.281, the commissioner may utilize any
 2.6 audit and examination powers under chapter 270C or 289A to the extent necessary to verify
 2.7 that the taxpayer is eligible for the credit and to assess for the amount of any improperly
 2.8 claimed credit.

2.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.10 31, 2018.

2.11 Sec. 2. **[299A.281] YOUTH INTERVENTION DONATION TAX CREDIT.**

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

2.14 (b) "Donation" means a contribution to a qualified youth intervention organization that
 2.15 is a charitable contribution for the taxable year within the meaning of section 170 of the
 2.16 Internal Revenue Code.

2.17 (c) "Pass-through entity" means a corporation that for the applicable taxable year is
 2.18 treated as an S corporation or a general partnership, limited partnership, limited liability
 2.19 partnership, trust, or limited liability company and which for the applicable taxable year is
 2.20 not taxed as a corporation under chapter 290.

2.21 (d) "Qualified youth intervention organization" or "qualified organization" means an
 2.22 entity that:

2.23 (1) has been granted an exemption from the federal income tax as an organization
 2.24 described in section 501(c)(3) of the Internal Revenue Code;

2.25 (2) is primarily engaged in providing youth intervention services; and

2.26 (3) has an approved application under subdivision 5 and has not been subsequently
 2.27 barred from participating in the program.

2.28 (e) "Youth intervention services" means providing community-based services intended
 2.29 and designed to help at-risk youth develop into productive and contributing adults. "At-risk
 2.30 youth" means an individual, ages six to 21, who is subject to one or more of the following
 2.31 risk factors:

2.32 (1) the youth has been subject to sexual, physical, emotional, or verbal abuse;

- 3.1 (2) the youth has been neglected, including not receiving adequate food or emotional
3.2 support;
- 3.3 (3) the youth, a parent, or caregiver is addicted to or abuses alcohol or drugs;
- 3.4 (4) the family is subject to serious stress or conflict, including single parent families,
3.5 marital conflict, or divorce;
- 3.6 (5) has family income low enough to qualify for the free and reduced-price school lunch
3.7 program, as used in section 126C.05, subdivision 16;
- 3.8 (6) the youth, a parent, or caregiver has been involved in the criminal justice system;
- 3.9 (7) the youth or a parent is or recently has been homeless; or
- 3.10 (8) the youth or parent has chronic health or mental health issues.

3.11 Subd. 2. **Credit allowed.** A taxpayer who has been issued a credit certificate under
3.12 subdivision 3 is allowed a youth intervention donation tax credit against the taxes due under
3.13 chapter 290, but excluding the tax under section 290.0922, equal to 50 percent of the amount
3.14 donated during the taxable year to the qualified organization designated on the taxpayer's
3.15 credit certificate. No credit is allowed for a donation made before the taxpayer was issued
3.16 a credit certificate under subdivision 3 or in an amount exceeding that specified by the credit
3.17 certificate.

3.18 Subd. 3. **Application for credit certificate.** (a) The commissioner must make applications
3.19 for tax credits available on the department's Web site by January 1 of the taxable year.

3.20 (b) To be allowed a credit under this section, a taxpayer must apply to the commissioner
3.21 for a youth intervention tax credit certificate. The application must be in the form and manner
3.22 specified by the commissioner and must designate the qualified organization to which the
3.23 taxpayer intends to make a donation and indicate the amount of credit applied for. The
3.24 commissioner must begin accepting applications for a taxable year on January 1. The
3.25 commissioner must issue tax credit certificates under this section on a first-come, first-served
3.26 basis until the maximum statewide credit amount has been reached. The certificate must
3.27 list the qualified organization the taxpayer designated on the application and the maximum
3.28 dollar amount of the credit allowed. The maximum statewide credit amount is \$5,000,000
3.29 per taxable year for taxable years beginning after December 31, 2018.

3.30 (c) The commissioner must not issue a tax credit certificate:

3.31 (1) for an amount greater than the limits that apply under paragraph (d);

3.32 (2) for contributions to an organization that is no longer a qualified organization; or

4.1 (3) that would result in issuance of a total amount of certificates for the taxable year
4.2 greater than the annual maximum set in paragraph (b).

4.3 (d) The maximum amount of tax credit certificates that may be issued to an applicant
4.4 for donations to each qualified organization for a calendar year is limited to:

4.5 (1) \$10,000 for a married joint filer;

4.6 (2) \$5,000 for any other individual filer; or

4.7 (3) \$50,000 for a corporation subject to tax under section 290.06, subdivision 1.

4.8 For an application by a pass-through entity, the maximum amount equals the limit (for
4.9 single individuals) multiplied by the total number of members, partners, or shareholders of
4.10 the entity.

4.11 Subd. 4. Responsibilities of qualified organization. (a) An entity that is eligible to be
4.12 a qualified organization must apply to the commissioner by September 15 of the year
4.13 preceding the year in which it will first receive donations for which credits may be claimed.
4.14 The application must be in the form and manner prescribed by the commissioner. The
4.15 application must:

4.16 (1) demonstrate to the commissioner that the organization is exempt from the federal
4.17 income tax under section 501(c)(3) of the Internal Revenue Code; and

4.18 (2) attests that the organization provides youth intervention services.

4.19 (b) A qualified organization must provide to taxpayers who make donations a receipt
4.20 on a form approved by the commissioner and must make the documentation available to
4.21 the commissioner on request.

4.22 (c) A qualified organization must, by June 1 of each year following a year in which it
4.23 receives donations, provide the following information to the commissioner:

4.24 (1) financial information that demonstrates the financial viability of the qualified
4.25 organization, if it received donations of \$150,000 or more during the year;

4.26 (2) documentation that it has used amounts received as donations to provide youth
4.27 intervention services; and

4.28 (3) the total number and total dollar amount of donations received from taxpayers for
4.29 which credit certificates were provided.

4.30 Subd. 5. Responsibilities of commissioner. (a) The commissioner must make
4.31 applications for an entity to be approved as a qualified organization for a taxable year

5.1 available on the department's Web site by August 1 of the year preceding the taxable year.
5.2 The commissioner must approve an application that provides the documentation required
5.3 in subdivision 4, paragraph (a), within 60 days of receiving the application. The commissioner
5.4 must notify an organization that provides incomplete documentation and the organization
5.5 may resubmit its application within 30 days.

5.6 (b) By November 15 of each year, the commissioner must post on the department's Web
5.7 site the names and addresses of qualified organizations for the next taxable year. The
5.8 commissioner must regularly update the names and addresses of any qualified organizations
5.9 that have been barred from participating in the program. The commissioner must prescribe
5.10 a standardized format for:

5.11 (1) a receipt to be issued by a qualified organization to a taxpayer to indicate the value
5.12 of a donation received; and

5.13 (2) qualified organizations to report the information required under subdivision 4,
5.14 paragraph (c).

5.15 (c) The commissioner may conduct either a financial review or audit of a qualified
5.16 organization upon finding evidence of fraud or intentional misreporting. If the commissioner
5.17 determines that the qualified organization committed fraud or intentionally misreported
5.18 information, the qualified organization is barred from further program participation.

5.19 (d) The commissioner may contract with a private entity to carry out some or all of the
5.20 commissioner's responsibilities under paragraphs (a) and (b). The contracting entity must
5.21 be an entity that is exempt from federal income taxation under section 501(c)(3) of the
5.22 Internal Revenue Code and that has experience in providing or evaluating the provision of
5.23 youth intervention services. If the commissioner contracts with a private entity to certify
5.24 qualified organizations, the entity may charge a fee of up to \$250 per application for
5.25 certifications to offset its costs.

5.26 **EFFECTIVE DATE.** This section is effective the day following final enactment for
5.27 donations made and credits allowed in taxable years beginning after December 31, 2018.

5.28 Sec. 3. **APPROPRIATION FOR ADMINISTRATIVE COSTS.**

5.29 \$100,000 in fiscal year 2019 is appropriated from the general fund to the commissioner
5.30 of public safety for the cost of implementing and administering the youth intervention
5.31 donation tax credit; this amount is a onetime appropriation that is not added to the base
5.32 budget.