

**SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION**

S.F. No. 2499

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; income; allowing a refundable credit for donations to certain
1.3 youth intervention organizations; appropriating money; proposing coding for new
1.4 law in Minnesota Statutes, chapter 290.

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.** (a) For purposes of this section, the following terms have
1.8 the meanings given.

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

1.12 (c) "Pass-through entity" means a corporation that for the applicable taxable year is
1.13 treated as an S corporation or a general partnership, limited partnership, limited liability
1.14 partnership, trust, or limited liability company and which for the applicable taxable year is
1.15 not taxed as a corporation under this chapter.

1.16 (d) "Qualified youth intervention organization" or "qualified organization" means an
1.17 entity that:

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

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

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

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

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

2.6 (2) the youth has been neglected, including not receiving adequate food or emotional
2.7 support;

2.8 (3) the youth, a parent, or a caregiver is addicted to or abuses alcohol or drugs;

2.9 (4) the family is subject to serious stress or conflict, including single parent families,
2.10 marital conflict, or divorce;

2.11 (5) has family income low enough to qualify for the free and reduced-price school lunch
2.12 program, as used in section 126C.05, subdivision 16;

2.13 (6) the youth, a parent, or a caregiver has been involved in the criminal justice system;

2.14 (7) the youth or a parent is or recently has been homeless; or

2.15 (8) the youth or a parent has chronic health or mental health issues.

2.16 Subd. 2. **Credit allowed.** (a) A taxpayer who has been issued a credit certificate under
2.17 subdivision 3 is allowed a youth intervention donation tax credit against the taxes due under
2.18 this chapter, excluding the tax under section 290.0922. The credit equals 50 percent of the
2.19 amount donated during the taxable year to the qualified organization designated on the
2.20 taxpayer's credit certificate. No credit is allowed for a donation made before the taxpayer
2.21 was issued a credit certificate under subdivision 3 or in an amount exceeding that specified
2.22 by the credit certificate.

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

2.25 Subd. 3. **Application for credit certificate; limitations.** (a) The commissioner must
2.26 make applications for tax credits available on the department's website annually by January
2.27 1 of the taxable year in which the credit will be claimed.

2.28 (b) To be allowed a credit under this section, a taxpayer must apply to the commissioner
2.29 for a youth intervention tax credit certificate. The application must be in the form and manner
2.30 specified by the commissioner and must designate the qualified organization to which the
2.31 taxpayer intends to make a donation and indicate the amount of credit applied for. The
2.32 commissioner must begin accepting applications for a taxable year on January 1 of the

3.1 taxable year. The commissioner must issue tax credit certificates under this section on a
3.2 first-come, first-served basis until the maximum statewide credit amount has been reached.
3.3 The certificate must list the qualified organization the taxpayer designated on the application
3.4 and the maximum dollar amount of the credit allowed. The maximum statewide credit
3.5 amount is \$5,000,000 per taxable year.

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

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

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

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

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

3.13 (1) \$10,000 for a married joint filer;

3.14 (2) \$5,000 for any other individual filer;

3.15 (3) \$50,000 for a corporation subject to tax under section 290.06, subdivision 1; or

3.16 (4) the amount equal to \$5,000 multiplied by the total number of members, partners, or
3.17 shareholders of the entity for pass-through entities.

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

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

3.25 (2) attest that the organization provides youth intervention services.

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

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

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

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

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

4.7 Subd. 5. Responsibilities of commissioner. (a) The commissioner must make
4.8 applications for an entity to be approved as a qualified organization for a taxable year
4.9 available on the department's website by August 1 of the year preceding the taxable year in
4.10 which the credit will be claimed. The commissioner must approve an application that
4.11 provides the documentation required in subdivision 4, paragraph (a), within 60 days of
4.12 receiving the application. The commissioner must notify an organization that provides
4.13 incomplete documentation and the organization may resubmit its application within 30 days.

4.14 (b) By November 15 of each year, the commissioner must post on the department's
4.15 website the names and addresses of qualified organizations for the next taxable year. The
4.16 commissioner must regularly update the names and addresses of any qualified organizations
4.17 that have been barred from participating in the program. The commissioner must prescribe
4.18 a standardized format for:

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

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

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

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

5.1 Subd. 6. **Credit refundable; appropriation.** (a) If the amount of credit which the
5.2 claimant is eligible to receive under this section exceeds the claimant's tax liability under
5.3 this chapter, the commissioner shall refund the excess to the claimant.

5.4 (b) An amount sufficient to pay the refunds required by this section is appropriated to
5.5 the commissioner from the general fund.

5.6 Subd. 7. **Proportional credits.** A pass-through entity must provide each shareholder,
5.7 partner, or member a statement indicating the individual's share of the credit amount certified
5.8 to the entity based on its share of the pass-through entity's income for the taxable year.

5.9 Subd. 8. **Audit powers.** Notwithstanding the certification eligibility issued by the
5.10 commissioner under this section, the commissioner may utilize any audit and examination
5.11 powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is
5.12 eligible for the credit and to assess for the amount of any improperly claimed credit.

5.13 **EFFECTIVE DATE.** This section is effective for donations made and credits allowed
5.14 in taxable years beginning after December 31, 2019.

5.15 Sec. 2. **APPROPRIATION; ADMINISTRATIVE COSTS.**

5.16 \$100,000 in fiscal year 2020 is appropriated from the general fund to the commissioner
5.17 of revenue for the cost of implementing and administering the youth intervention donation
5.18 tax credit. This amount is a onetime appropriation and is not added to the base budget.