

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Rural Minnesota Catch-Up Credit

April 28, 2005

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of S.F. 728 (Kubly) **1st Engrossment**

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
	(000's)			
General Fund	\$0	(\$2,300)	(\$2,300)	(\$2,300)

Effective for taxable years beginning after December 31, 2005.

EXPLANATION OF THE BILL

The bill creates a refundable credit against the individual income tax and corporate franchise tax for new jobs created in an eligible county. A taxpayer can claim a job credit for each qualifying job equal to \$4,000 per year for three years and \$3,000 in the fourth year, for a maximum of \$15,000. The taxpayer may claim the credit for years in which the qualifying job was in existence for the entire year.

The qualifying job must provide full-time employment and must pay at least \$12 per hour, or \$10 per hour plus health benefits. In addition, the job must be in the following industries: value-added manufacturing, technologically innovative and information industries, forestry, energy, mining, agriprocessing, and tourism attractions. A qualifying job does not include any job for which a JOBZ job credit or rural job creation grant is received.

An eligible county may award up to \$150,000 over two years in credits for qualifying jobs. To be eligible, a county must have a 2000 census population of less than 25,000, or the county must have experienced a net new job growth rate of less than 15.6% between 1991 and 2001.

The provisions expire for tax years beginning after December 31, 2010.

REVENUE ANALYSIS DETAIL

- Census data was used to identify counties with a population of less than 25,000. Department of Employment and Economic Development estimates by county of changes in labor force between 1991 and 2001 were used to identify the 11 additional counties covered by the bill. A total of 58 Minnesota counties would qualify under one or both of the criteria.

REVENUE ANALYSIS DETAIL (continued)

- Since a county can issue no more than \$150,000 in tax credits and an employer may claim a maximum \$15,000 credit per qualifying job, a county can issue credits for a maximum of 10 jobs.
- It is assumed that all of the 58 eligible counties have the capacity to generate the 10 jobs that would qualify based on wage level and industry.
- It is assumed that each eligible county would award the full \$150,000, and provide credits over a four year period equal to \$40,000 per year for tax years 2007 through 2009 (10 jobs x \$4,000), and \$30,000 for tax year 2010 (10 jobs x \$3,000).
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: The credit would apply to approximately 580 jobs. The number of employers who would claim the credit was not estimated.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy