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

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

February 8, 2005

Department of Revenue
Analysis of H.F. 632 (Urdahl) **As Proposed to be Amended (H632A1)**

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
	(000's)			
General Fund	$0	($2,200)	($2,200)	($2,200)

Effective beginning with tax year 2006.

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 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, 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. **As proposed to be amended**, a county must be located outside the seven-county metropolitan area to be eligible.

The provisions expire for tax years beginning after December 31, 2009.

REVENUE ANALYSIS DETAIL

- Census data was used to identify counties with a population of less than 25,000. State Planning estimates by county of changes in labor force between 1990 and 2000 were used to identify the 9 additional counties covered by the bill. A total of 56 greater Minnesota counties would qualify under one or both of the criteria.
- 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 during 2006.

REVENUE ANALYSIS DETAIL (continued)

- It is assumed that all of the 56 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 in 2006 through 2008 (10 jobs x $4,000), and $30,000 in 2009 (10 jobs x $3,000).
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: The credit would apply to approximately 560 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