MINNESOTA · REVENUE

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

March 9, 2007

	Yes	**No**
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 44 (Urdahl) / S.F. 284 (Kubly), **Analysis Revised to Correct Number of Counties Affected**

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
	(000's)			
General Fund	$0	$0	($2,400)	($2,400)

Effective January 1, 2008.

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, 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 1994 and 2004.

The provisions expire for tax years beginning after December 31, 2011.

Note: The revised analysis assumes that some provisions of the bill would be clarified or changed to reflect the intent of the legislation, particularly as it relates to timing. Specifically, the revised analysis assumes that: the January 1, 2008, effective date relates to the beginning of the program and that only jobs created on or after that date qualify; the credit would first apply to tax year 2009 returns; because the credit is available for four tax years, the expiration date would be extended one year; and the authority for each eligible county to award $150,000 over two years begins January 1, 2008, and is in effect only for one two-year period.

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 employment between 1994 and 2004 were used to identify the 13 additional counties covered by the bill. **As revised**, a total of 60 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.
- It is assumed that all of the 60 eligible counties have the capacity to generate 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 2009 through 2012 (10 jobs x $4,000), and $30,000 in 2012 (10 jobs x $3,000).
- If all credits authorized under the bill are used, the total cost of the program for all years would be $9 million ($150,000 x 60 counties).
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: The credit would apply to approximately 600 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

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