

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Greater MN Internship Credit

February 28, 2012

Department of Revenue
Analysis of H.F. 2210 (Banaian) First Engrossment

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
		(000's)		
Internship Credit	\$0	(\$1,250)	(\$1,250)	(\$1,250)
1% Administration Fee	<u>\$0</u>	<u>(\$13)</u>	<u>(\$13)</u>	<u>(\$13)</u>
General Fund Total	\$0	(\$1,263)	(\$1,263)	(\$1,263)

Effective beginning in tax year 2012.

EXPLANATION OF THE BILL

The bill would allow a refundable credit against the corporate franchise tax and individual income tax. It requires the Office of Higher Education (OHE) to administer a greater Minnesota internship program and allows an employer to claim a tax credit for employing a qualified intern in a location in Greater Minnesota. The internship must be at least 16 hours a week for at least 12 weeks and must meet other criteria specified in the bill.

The credit is equal to 40% of the compensation paid to each qualifying intern, up to \$1,250 per intern. An employer may claim a credit for a maximum of five interns in any tax year. The total amount of credits is limited to \$1.25 million per fiscal year. The OHE must allocate the credits based on criteria including geographic distribution.

The amount necessary to pay the credits plus a 1% administrative fee would be appropriated from the General Fund to the Commissioner of Revenue. The funds for the administrative fee would be transferred to the OHE. The OHE would allocate a portion of that fee to each participating institution for administrative costs.

By February 1, 2014, the Office of Higher Education and the Department of Revenue would be required to report to the Legislature on the effectiveness of the program.

REVENUE ANALYSIS DETAIL

- The average wage for undergraduate interns was \$16.68 an hour in 2011, according to the National Association of Colleges and Employers (NACE).
- The minimum duration of a qualifying internship would be 16 hours a week for 12 weeks.

REVENUE ANALYSIS DETAIL (Cont.)

- At that wage, an intern would earn a total of \$3,203 and the employer would qualify for the maximum credit of \$1,250.
- It is expected that most interns would earn wages close to the national average and that most qualifying employers would receive the maximum credit per intern.
- The bill limits the total amount of credits to \$1.25 million per fiscal year, sufficient to pay credits for 1,000 interns at the maximum credit per intern.
- Over 31,000 students received bachelor's degrees in Minnesota in 2010.
- It is estimated that half of those have internships each year, half of which are paid positions, based on data from NACE.
- About 43% of Minnesota college students are enrolled at institutions in Greater Minnesota, according to data from the OHE.
- Given the large number of potential interns, it is estimated that the total credits claimed would meet the maximum of \$1.25 million per tax year.

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