

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Credit for Employment of Veterans

March 12, 2012

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 2139 (Bills), First Engrossment, As Amended (H2139A2) **Estimates Revised for Additional Information**

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
		(000's)		
General Fund	\$0	(\$1,300)	(\$1,400)	(\$1,500)

Effective beginning with tax year 2012.

EXPLANATION OF THE BILL

The bill would establish a nonrefundable credit for employers who hire qualified veterans in Minnesota. Unused credit amounts could be carried forward for up to ten years. A qualified veteran is one who meets the requirements that allow an employer to qualify for the federal work opportunity credit. The proposed Minnesota credit equals the federal credit. The federal credit is generally 40% of a capped amount of wages paid during the first year of employment. The capped amount depends on the category into which the qualifying veteran falls. There are four such categories:

1. For veterans who received food stamps for at least three months in the 15 months prior to the hiring date, or who were unemployed for a total of at least four weeks but less than six months in the preceding 12 months, the maximum credit is \$2,400 (first \$6,000 of wages).
2. For disabled veterans hired within a year of discharge from the military, the maximum credit is \$4,800 (first \$12,000 of wages).
3. For veterans who were unemployed for at least six months in the year prior to being hired and who are not disabled, the maximum credit is \$5,600 (first \$14,000 of wages).
4. For veterans who were unemployed for at least six months in the year prior to being hired and who are disabled, the maximum credit is \$9,600 (first \$24,000 of wages).

The federal credit for veterans is scheduled to expire December 31, 2012, while the federal credit for other groups expired December 31, 2011. The state credit would continue without expiration.

REVENUE ANALYSIS DETAIL

- The estimates are based on the estimates published by the Congressional Budget Office and the Joint Committee on Taxation in November 2011 for extending the federal credit for qualified veterans one year to tax year 2012 (Public Law 112-56).
- Data from the Veterans Administration shows that Minnesota is the state of residence of about 1.65% of all veterans of working age.
- It is assumed that the credit would grow at 5% annually.
- Tax year impacts were allocated to the following fiscal year.

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