

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Greater MN Internship Credit

April 4, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 241 (Eken) 1st Engrossment

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
	(000's)			
Internship Credit	(\$5,500)	(\$5,500)	(\$5,500)	(\$5,500)
1% Administration Fee	<u>(\$55)</u>	<u>(\$55)</u>	<u>(\$55)</u>	<u>(\$55)</u>
General Fund Total	(\$5,555)	(\$5,555)	(\$5,555)	(\$5,555)

The program is effective the day following enactment.
The tax credit is effective beginning in tax year 2013.

EXPLANATION OF THE BILL

The bill would allow a refundable credit against the corporate franchise tax and individual income tax. The Office of Higher Education (OHE) must administer a greater Minnesota internship program through eligible institutions to provide academic credit for internships and tax credits for employers who hire interns for employment in Greater Minnesota. Greater Minnesota is defined as the area outside Anoka, Carver, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties. An eligible institution is a Minnesota public postsecondary institution or a Minnesota private nonprofit baccalaureate degree-granting college or university.

To be eligible to participate, a student must have completed half of the credits necessary for graduation. 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 \$4,000 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 \$5.5 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 is appropriated from the General Fund to the Commissioner of Revenue. The funds for the administrative fee are to be transferred to the OHE.

By February 1, 2014, the OHE and the Department of Revenue must report to the Legislature on program participation and the cost of administering the program. By February 1, 2015, the OHE and the Department of Revenue must report to the Legislature on the effectiveness of the program.

REVENUE ANALYSIS DETAIL

- The average wage for undergraduate interns was \$16.21 an hour in 2012, 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.
- At that wage, an intern would earn a total of \$3,112 and the employer would qualify for a credit of \$1,245.
- The bill limits the total amount of credits to \$5.5 million per fiscal year. At the minimum duration for a qualified internship, the \$5.5 million would fund an average credit of \$1,245 for 4,420 interns. At the maximum credit of \$4,000 per intern, the \$5.5 million would fund the credit for 1,375 interns. Therefore, the \$5.5 million would fund between 1,375 and 4,420 interns.
- About 272,000 students were enrolled in eligible colleges or universities in 2011, according to OHE data. Assuming that 40% of those students have completed at least half of the credits necessary for graduation, about 109,000 students would be eligible to participate in the program.
- According to NACE, half of students in their senior year have an internship, half of which are paid positions. It was assumed that 10% of non-seniors would have a paid internship, for a total of about 19,000 paid interns annually.
- It is assumed that the portion of internships located in greater Minnesota is sufficient to exhaust all available credits. For example, if 25% of internships were offered in greater Minnesota, that would equal 4,750 qualified internships, more than enough to reach the \$5.5 million maximum.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)