DEPARTMENT OF REVENUE

INDIVIDUAL INCOME TAX
CORPORATE FRANCHISE TAX
Youth Intervention Donation Credit

April 3, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2386 (Becker-Finn) / S.F. 2499 (Anderson, P.)

	Fund Impact			
	F.Y. 2020	**F.Y. 2021**	**F.Y. 2022**	**F.Y. 2023**
	(000's)			
Youth Intervention Donation Credit	$0	($5,000)	($5,000)	($5,000)
Appropriation to the Dept. of Revenue	($100)	$0	$0	$0
General Fund Total	($100)	($5,000)	($5,000)	($5,000)

Effective beginning with tax year 2020.

EXPLANATION OF THE BILL

The bill creates a refundable credit against the individual income tax or corporate franchise tax for donations made to a qualified youth intervention organization. The credit equals 50% of the donation or the amount on the certificate provided to the taxpayer, whichever is smaller. The maximum statewide credit amount is $5 million per year.

To claim the credit, the taxpayer must apply for a youth intervention tax credit certificate from Commissioner of Revenue. The Commissioner must issue the certificates in the order that applications are filed. No credit is allowed for a donation made before the certificate is issued.

The maximum credit is $10,000 for married joint filers; $5,000 for any other individual filers; or $50,000 for a C corporation. For a pass-through entity, the maximum credit equals $5,000 multiplied by the total number of members, partners, or shareholders of the entity.

Donations eligible for the credit include contributions to a qualified youth intervention organization that meet the definition of a charitable contribution in the Internal Revenue Code. Qualified organizations are tax-exempt nonprofit entities that provide youth intervention services, whose applications are approved, and who are not subsequently barred from participating in the program.

Youth intervention services include community-based services provided to help at-risk youth develop into productive and contributing adults. At-risk youth include individuals from six to twenty-one years old who are subject to one or more of eight risk factors listed.

The bill provides a one-time appropriation of $100,000 in fiscal year 2020 to the Commissioner of Revenue to implement and administer the credit.

REVENUE ANALYSIS DETAIL

- Missouri has a Youth Opportunity Program (YOP) Tax Credit that is similar to the proposed credit. Individuals, businesses and corporations having tax liability in Missouri are eligible to receive the credits for their qualified donations.
- The annual cap for Missouri's total statewide amount of credits is $6 million. About $5.7 million in credits have been issued in Missouri each year from fiscal year 2015 to fiscal year 2018, and about $4.8 million in credits have been redeemed each year.
- This estimate assumes that the statewide maximum of $5 million in credits would be claimed in Minnesota each year.
- Tax year impacts are allocated to the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_
stats/Pages/Revenue-Analyses.aspx

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