

February 8, 2021

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

Department of Revenue  
Analysis of S.F. 413 (Bakk), As Proposed to be Amended (SCS0413A-3)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>
	(000's)			
Sponsors of Veterans Credit	(\$400)	(\$400)	(\$400)	(\$400)
Interaction: Charitable Deductions	<u>\$30</u>	<u>\$30</u>	<u>\$30</u>	<u>\$30</u>
General Fund	(\$370)	(\$370)	(\$370)	(\$370)

Effective beginning in tax year 2021.

**EXPLANATION OF THE BILL**

**Proposed Law:** The bill creates a nonrefundable credit against the individual income tax and corporate franchise tax for the sponsorship of lodging and related services for disabled veterans at a qualified property in Minnesota. Qualified property is property located in Minnesota that is owned by or leased to and operated by a Section 501(c)3 charitable organization that provides recreational opportunities to disabled military veterans.

The credit is equal to 50% of each contribution made for the tax year, not including any amounts used to claim the itemized charitable deduction or the charitable subtraction for non-itemizers. The maximum credit is \$1,000 per contribution per qualified individual. For part-year residents, the credit must be allocated based on the percentage of income attributed to Minnesota.

The Commissioner of Revenue must make applications for a credit certificate available on the Department of Revenue website. The Commissioner may not allocate more than \$400,000 in credits each year. Credits are to be allocated based on the date the applications are received.

The credit expires after tax year 2030.

**REVENUE ANALYSIS DETAIL**

- It is assumed that the maximum credits of \$400,000 will be claimed for each tax year.
- Contributions used to claim the credit may not also be claimed as an itemized deduction or the charitable subtraction for non-itemizers. A marginal rate of 7% was used to estimate the revenue impact of reduced charitable deductions and subtractions.
- Tax year impacts were allocated to the following fiscal year.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>