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Senate

State of Minnesota

S.F. No. 1512 – New Markets Tax Credit

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This bill provides credit against income, corporate franchise, or insurance premiums tax for contributions made to a Minnesota qualified community development entity that makes a qualified equity investment to assist qualified Minnesota low-income community businesses. The credit equals a total of 50 percent of the qualified equity investment, claimed over a seven-year period.

Section 1. New markets tax credit. Adds language in the data practices chapter to require that disclosure of information regarding issuance of credit certificates is governed under the provision created in section 4. Effective the day following final enactment.

Section 2. Classification and release of data on individuals. Allows the commissioner of DEED to release data to the Department of Revenue on individuals to the extent required to administer the credit. Effective the day following final enactment.

Section 3. New markets tax credit.

Subd. 1. Definitions. Defines terms applicable to the credit.

Subd. 2. Credit allowed; qualification; limitation. Allows a credit equal to the applicable percentage for each credit allowance date, multiplied by the purchase price paid to the qualified community development entity (QCDE) for the qualified equity investment. The credit may be claimed against the income and corporate franchise tax or the insurance premiums tax, but not both.

Subd. 3. Application. Requires a QCDE to apply to the commissioner of DEED and specifies the components of the application, which must include a $5,000 nonrefundable application fee to offset costs to administer the credit. A QCDE may apply for both a greater Minnesota and metropolitan allocation.

Subd. 4. Certification and timing of qualified equity investments. Provides the requirements for the Commissioner of DEED to grant and deny applications and allow for corrections of denied applications. Requires the QCDE to provide evidence of receipt of the cash investment and the designation of 50 percent of the qualified equity investment under the requirements of the federal new markets tax credit, if the QCDE is not a Minnesota QCDE. Requires the commissioner of DEED to notify the commissioner of revenue of credits approved.

Subd. 5. Credit recapture. Provides the circumstances under which credits are recaptured:

- the federal credit allowed for a qualified equity investment is recaptured;

- the QCDE redeems or makes principal repayment with respect to a QCDE prior to seven years of the date of investment; or
- the QCDE fails to invest at least 100 percent of the cash purchase price of the qualified equity investment in qualified low-income community investments in greater Minnesota or metropolitan counties within 12 months of the issuance of the qualified equity investment and maintains the investment in a qualified low-income community in greater Minnesota or metropolitan counties, as applicable, until the last credit allowance date for the qualified equity investment.

The commissioner of DEED must notify the QCDE of proposed recapture of credits, including the reasons for the proposed recapture, and must allow 90 days for the QCDE to cure the deficiency resulting in the proposed recapture. If, after 90 days, the deficiency has not been cured, the commissioner must issue a final order of recapture.

Subd. 6. Examination. Authorizes the commissioner of DEED to conduct examinations to verify the credits have been received and applied under the requirements of this section and that no event has occurred that would trigger the recapture provisions under subd. 5.

Subd. 7. Annual reporting by community development entities. Requires each QCDE to annually submit a report to the commissioner of DEED, which must include information about low-income community investments made and low-income community businesses funded, certification that no credits have been subject to recapture, and any changes regarding taxpayers eligible to claim credits with respect to qualified equity investments issued by the QCDE since its last report.

Subd. 8. Program report. Requires the commissioner of DEED to provide a report on the credit if the credit has not been reviewed by the tax expenditure review commission.

Subd. 9. Expiration. Provides that the credit expires for taxable years beginning after December 31, 2031. Authorizes the commissioner of DEED allow the credit based on credit certificates issued before the expiration date through the earlier of the year after the year that all certificates have been cancelled or resulted in credit certificates, or 2034.

Subd. 10. Account created; appropriation. Establishes the new markets tax credit account in the state treasury. Appropriates application fees to the commissioner of DEED for administering the credit.

Effective for taxable years beginning after December 31, 2023.

Section 4. Disclosure to Department of Employment and Economic Development. Authorizes the commissioner of Revenue to disclose tax return information to DEED to the extent required to administer the credit. Effective the day following final enactment.

Section 5. New markets tax credit. Authorizes a credit against income and corporate franchise tax equal to the amount calculated under section 3. Provides for allocation of the credit for members, shareholders, or owners of pass-through entities. The credit is nonrefundable but may be carried forward for five years. The commissioner of revenue may use any audit powers under current law to verify eligibility for the credit. Effective for taxable years beginning after December 31, 2023.

Section 6. New markets tax credit. Authorizes a credit against the insurance premiums tax. The credit is nonrefundable but may be carried forward for five years. Effective for taxable years beginning after December 31, 2023.