



Providing nonpartisan legal, research, and fiscal analysis services to the Minnesota Senate

S.F. No. 2365 – Aerospace and aviation credit (as proposed to be amended by the A-2 amendment)

Author: Senator Grant Hauschild

Prepared by: Nora Pollock, Senate Counsel (651/297-8066)

Date: April 2, 2024

This bill provides an income tax credit for graduates of qualifying aerospace and aviation-related educational programs and for employers of graduates of those programs, effective for taxable years beginning after December 31, 2024.

Section 1. Aerospace and aviation credit.

Subd. 1. Definitions. Defines terms applicable to the credit. In pertinent part:

Compensation means payments including wages, salary, or other remuneration for services performed by an independent contractor or employee who is a qualified employee.

Eligible institution means any postsecondary institution that participates in the federal Pell Grant Program.

Full-time basis means at least 40 hours per week.

Qualified employee means a person who was employed full-time by or contracted with a qualified employer on a full-time basis on or after January 1, 2024, and was awarded an ungraduated degree, graduate degree, technical degree, or certificate in a qualified program by a qualified institution within one year before or after beginning employment.

Qualified employer means a business entity whose principal business activity involves the aviation and aerospace sector and employs a qualified employee.

Qualified program means a program at an eligible institution that has been accredited by an accrediting body, is within the meaning of an associated of applied science or career technical education program that results in the awarding of a degree or certificate that

prepares the graduate for employment with a qualified employer, or results in obtaining a certification or rating which directly relates to the aviation and aerospace sector and is granted through the FAA or regional accredited body.

Tuition means among paid for enrollment, program-specific fees, and instruction in a qualified program that includes amounts paid during participation in a qualified program and amounts paid for tuition debt upon completion of a qualified program, “Tuition” excludes room and board and the cost of materials and fees that are not program-specific.

Subd. 2. Credit for qualified employees; carryover. Provides a \$5,000 nonrefundable credit for qualified employees in each of the first five years of employment with a qualified employer. The credit may be carried forward for four years.

Subd. 3. Credit for tuition paid by qualified employers; limitation. Provides a nonrefundable credit equal to 50 percent of the amount of tuition reimbursed by a qualified employer to a qualified employee in a tax year. The credit must not exceed 50 percent of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program. The credit may not be carried forward.

Subd. 4. Credit for compensation paid by qualified employers; limitation. Provides a nonrefundable credit equal to ten percent of compensation paid to a qualified employee in a tax year for the first five years of employment, up to \$15,000 each year. The credit may not be carried forward.

Subd. 5. Qualified employer credits; pass-through entities. Specifies that credits awarded to individual partners, members, shareholders, or owners of a pass-through entity are passed through on a pro rata basis or as specified in organizational documents or any other executed agreement as of the last day of the taxable year.

Subd. 6. Reports. Requires the commissioner to submit a written report to the chairs and ranking members of the Senate and House taxes committees, which must include information regarding the cost and effectiveness of the credits and may include recommendations for changes necessary to implement the credit.

Subd. 7. Expiration. Provides that no new credits may be earned to taxable years beginning after December 31, 2029, and that carryforward credits may be claimed for taxable years beginning before January 1, 2034.