

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4446

03/21/2022 Authored by Schultz
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to human services; creating workforce incentive fund grants; designating
1.3 workforce incentive grants as a subtraction; categorizing workforce incentive grant
1.4 payments as nonincome; amending Minnesota Statutes 2020, sections 290.0132,
1.5 by adding a subdivision; 290.0674, subdivision 2a; Minnesota Statutes 2021
1.6 Supplement, section 290A.03, subdivision 3; proposing coding for new law in
1.7 Minnesota Statutes, chapter 256.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. 256.4778 WORKFORCE INCENTIVE FUND GRANTS.

1.10 Subdivision 1. Grant program established. The commissioner shall establish grants
1.11 for behavioral health, housing, disability, and home and community-based older adult
1.12 providers to assist with recruiting and retaining direct support and frontline workers.

1.13 Subd. 2. Definitions. (a) For purposes of this section, the following terms have the
1.14 meanings given.

1.15 (b) "Commissioner" means the commissioner of human services.

1.16 (c) "Eligible employer" means a nonprofit organization enrolled in Minnesota health
1.17 care programs or providing housing services that is at least one of the following:

1.18 (1) a provider of home and community-based services under chapter 245D;

1.19 (2) an agency provider or financial management services provider under section 256B.85;

1.20 (3) a home care provider licensed under sections 144A.43 to 144A.482;

1.21 (4) a facility certified as an intermediate care facility for persons with developmental
1.22 disabilities as defined under section 245D.02, subdivision 11a;

- 2.1 (5) a provider of home care services as defined under section 256B.0651, subdivision
2.2 1, paragraph (d);
- 2.3 (6) an agency as defined under section 256B.0949, subdivision 2;
- 2.4 (7) a provider of mental health day treatment services for children or adults as defined
2.5 under sections 245.4871, subdivision 10, and 256B.0671, subdivision 3, paragraph (b);
- 2.6 (8) a provider of emergency services as defined under section 256E.36;
- 2.7 (9) a provider of housing support as defined in chapter 256I;
- 2.8 (10) a provider of housing stabilization services as defined in section 256B.051;
- 2.9 (11) a provider of transitional housing programs as defined under section 256E.33;
- 2.10 (12) a provider of substance use disorder services as defined in chapter 245G;
- 2.11 (13) an eligible financial management services provider serving people through
2.12 consumer-directed community supports under chapter 256S and sections 256B.092 and
2.13 256B.49 or consumer support grants under section 256.476;
- 2.14 (14) a provider of customized living services as defined in section 256S.02; or
- 2.15 (15) a provider of services for children with an emotional disorder or adults with mental
2.16 illness under section 245I.011 or 256B.0671, including:
- 2.17 (i) assertive community treatment;
- 2.18 (ii) intensive residential treatment services;
- 2.19 (iii) adult rehabilitative mental health services;
- 2.20 (iv) mobile crisis services;
- 2.21 (v) children's therapeutic services and supports;
- 2.22 (vi) children's residential services;
- 2.23 (vii) psychiatric residential treatment facilities;
- 2.24 (viii) outpatient mental health treatment provided by mental health professionals,
2.25 community mental health center services, or certified community behavioral health clinics;
- 2.26 or
- 2.27 (ix) intensive mental health outpatient treatment services.

3.1 (d) "Eligible worker" means a worker who earns \$30 per hour or less and has worked
3.2 in an eligible profession for at least six months. An eligible worker may receive up to \$5,000
3.3 annually in payments from the workforce incentive fund.

3.4 Subd. 3. **Allowable uses of money.** (a) Grantees must use money awarded under this
3.5 section to provide payments to eligible workers for the following purposes:

3.6 (1) retention and incentive payments;

3.7 (2) postsecondary education loan and tuition payments;

3.8 (3) child care costs;

3.9 (4) transportation-related costs; or

3.10 (5) other costs associated with retaining and recruiting workers, as approved by the
3.11 commissioner.

3.12 (b) The commissioner must develop a grant cycle distribution plan that allows for
3.13 equitable distribution of funding among eligible employer types. The commissioner's
3.14 determination of the grant awards and grant amounts is final and is not subject to appeal.

3.15 (c) The commissioner must make efforts to prioritize eligible employers owned by Black,
3.16 Indigenous, and people of color and small to midsize eligible employers.

3.17 Subd. 4. **Attestation.** As a condition of obtaining grant payments under this section, an
3.18 eligible employer must attest and agree to the following:

3.19 (1) the employer is an eligible employer;

3.20 (2) the total number of eligible employees;

3.21 (3) the employer will distribute the entire value of the grant to eligible employees
3.22 identified by the employer, as allowed under this section;

3.23 (4) the employer will create and maintain records of the total amount of grant money
3.24 awarded and how that money was distributed to eligible employees; and

3.25 (5) the employer will not use the money appropriated under this section for any purpose
3.26 other than the purposes permitted under this section.

3.27 Subd. 5. **Self-directed services workforce.** Grants paid to eligible employees providing
3.28 services within the covered programs defined in section 256B.0711 do not constitute a
3.29 change in a term or condition for individual providers in covered programs and are not
3.30 subject to the state's obligation to meet and negotiate under chapter 179A.

4.1 Subd. 6. Grants not to be considered income. (a) Notwithstanding any law to the
 4.2 contrary, grant awards under this section must not be considered income, assets, or personal
 4.3 property for purposes of determining eligibility or recertifying eligibility for:

4.4 (1) child care assistance programs under chapter 119B;

4.5 (2) general assistance, Minnesota supplemental aid, and food support under chapter
 4.6 256D;

4.7 (3) housing support under chapter 256I;

4.8 (4) the Minnesota family investment program and diversionary work program under
 4.9 chapter 256J; and

4.10 (5) economic assistance programs under chapter 256P.

4.11 (b) The commissioner of human services must not consider grant awards under this
 4.12 section as income or assets under section 256B.056, subdivision 1a, paragraph (a); 3; or 3c,
 4.13 or for persons with eligibility determined under section 256B.057, subdivision 3, 3a, or 3b.

4.14 Subd. 7. Audits and recoupment. (a) The commissioner may perform an audit under
 4.15 this section up to six years after the grant is awarded to ensure the grantee:

4.16 (1) used the money solely for the purposes stated in subdivision 3;

4.17 (2) was truthful when making attestations under subdivision 4; and

4.18 (3) complied with the conditions of receiving a grant under this section.

4.19 (b) If the commissioner determines that a grantee used awarded money for purposes not
 4.20 authorized under this section, the commissioner must treat any amount used for a purpose
 4.21 not authorized under this section as an overpayment. The commissioner must recover any
 4.22 overpayment.

4.23 **EFFECTIVE DATE.** This section is effective July 1, 2022.

4.24 Sec. 2. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision
 4.25 to read:

4.26 Subd. 31. Workforce incentive fund grant payments. The amount of workforce
 4.27 incentive grants under section 256.4778 is a subtraction.

4.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 4.29 31, 2021.

5.1 Sec. 3. Minnesota Statutes 2020, section 290.0674, subdivision 2a, is amended to read:

5.2 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the
5.3 following:

5.4 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code;
5.5 and

5.6 (2) the sum of the following amounts to the extent not included in clause (1):

5.7 (i) all nontaxable income;

5.8 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,
5.9 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss
5.10 carryover allowed under section 469(b) of the Internal Revenue Code;

5.11 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a
5.12 solvent individual excluded from gross income under section 108(g) of the Internal Revenue
5.13 Code;

5.14 (iv) cash public assistance and relief;

5.15 (v) any pension or annuity (including railroad retirement benefits, all payments received
5.16 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),
5.17 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
5.18 by the claimant or spouse and which funding payments were excluded from federal adjusted
5.19 gross income in the years when the payments were made;

5.20 (vi) interest received from the federal or a state government or any instrumentality or
5.21 political subdivision thereof;

5.22 (vii) workers' compensation;

5.23 (viii) nontaxable strike benefits;

5.24 (ix) the gross amounts of payments received in the nature of disability income or sick
5.25 pay as a result of accident, sickness, or other disability, whether funded through insurance
5.26 or otherwise;

5.27 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
5.28 1986, as amended through December 31, 1995;

5.29 (xi) contributions made by the claimant to an individual retirement account, including
5.30 a qualified voluntary employee contribution; simplified employee pension plan;
5.31 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of

6.1 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
6.2 Revenue Code;

6.3 (xii) nontaxable scholarship or fellowship grants;

6.4 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

6.5 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
6.6 Code;

6.7 (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue
6.8 Code; and

6.9 (xvi) the amount deducted for certain expenses of elementary and secondary school
6.10 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

6.11 In the case of an individual who files an income tax return on a fiscal year basis, the
6.12 term "federal adjusted gross income" means federal adjusted gross income reflected in the
6.13 fiscal year ending in the next calendar year. Federal adjusted gross income may not be
6.14 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
6.15 carryback or carryforward allowed for the year.

6.16 (b) "Income" does not include:

6.17 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

6.18 (2) amounts of any pension or annuity that were exclusively funded by the claimant or
6.19 spouse if the funding payments were not excluded from federal adjusted gross income in
6.20 the years when the payments were made;

6.21 (3) surplus food or other relief in kind supplied by a governmental agency;

6.22 (4) relief granted under chapter 290A;

6.23 (5) child support payments received under a temporary or final decree of dissolution or
6.24 legal separation; ~~and~~

6.25 (6) restitution payments received by eligible individuals and excludable interest as
6.26 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,
6.27 Public Law 107-16; and

6.28 (7) workforce incentive grant payments under section 256.4778.

6.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.30 31, 2021.

7.1 Sec. 4. Minnesota Statutes 2021 Supplement, section 290A.03, subdivision 3, is amended
7.2 to read:

7.3 Subd. 3. **Income.** (a) "Income" means the sum of the following:

7.4 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

7.5 (2) the sum of the following amounts to the extent not included in clause (1):

7.6 (i) all nontaxable income;

7.7 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,
7.8 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss
7.9 carryover allowed under section 469(b) of the Internal Revenue Code;

7.10 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a
7.11 solvent individual excluded from gross income under section 108(g) of the Internal Revenue
7.12 Code;

7.13 (iv) cash public assistance and relief;

7.14 (v) any pension or annuity (including railroad retirement benefits, all payments received
7.15 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),
7.16 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
7.17 by the claimant or spouse and which funding payments were excluded from federal adjusted
7.18 gross income in the years when the payments were made;

7.19 (vi) interest received from the federal or a state government or any instrumentality or
7.20 political subdivision thereof;

7.21 (vii) workers' compensation;

7.22 (viii) nontaxable strike benefits;

7.23 (ix) the gross amounts of payments received in the nature of disability income or sick
7.24 pay as a result of accident, sickness, or other disability, whether funded through insurance
7.25 or otherwise;

7.26 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
7.27 1986, as amended through December 31, 1995;

7.28 (xi) contributions made by the claimant to an individual retirement account, including
7.29 a qualified voluntary employee contribution; simplified employee pension plan;
7.30 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
7.31 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal

8.1 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
8.2 the claimant and spouse;

8.3 (xii) to the extent not included in federal adjusted gross income, distributions received
8.4 by the claimant or spouse from a traditional or Roth style retirement account or plan;

8.5 (xiii) nontaxable scholarship or fellowship grants;

8.6 (xiv) alimony received to the extent not included in the recipient's income;

8.7 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
8.8 Code;

8.9 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
8.10 Code; and

8.11 (xvii) the amount deducted for certain expenses of elementary and secondary school
8.12 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

8.13 In the case of an individual who files an income tax return on a fiscal year basis, the
8.14 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in
8.15 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced
8.16 by the amount of a net operating loss carryback or carryforward or a capital loss carryback
8.17 or carryforward allowed for the year.

8.18 (b) "Income" does not include:

8.19 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

8.20 (2) amounts of any pension or annuity which was exclusively funded by the claimant
8.21 or spouse and which funding payments were not excluded from federal adjusted gross
8.22 income in the years when the payments were made;

8.23 (3) to the extent included in federal adjusted gross income, amounts contributed by the
8.24 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed
8.25 the retirement base amount reduced by the amount of contributions excluded from federal
8.26 adjusted gross income, but not less than zero;

8.27 (4) surplus food or other relief in kind supplied by a governmental agency;

8.28 (5) relief granted under this chapter;

8.29 (6) child support payments received under a temporary or final decree of dissolution or
8.30 legal separation;

9.1 (7) restitution payments received by eligible individuals and excludable interest as
9.2 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,
9.3 Public Law 107-16;

9.4 (8) alimony paid; ~~or~~

9.5 (9) veterans disability compensation paid under title 38 of the United States Code; and

9.6 (10) workforce incentive grant payments under section 256.4778.

9.7 (c) The sum of the following amounts may be subtracted from income:

9.8 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

9.9 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

9.10 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

9.11 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

9.12 (5) for the claimant's fifth dependent, the exemption amount; and

9.13 (6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or
9.14 before December 31 of the year for which the taxes were levied or rent paid, the exemption
9.15 amount.

9.16 (d) For purposes of this subdivision, the following terms have the meanings given:

9.17 (1) "exemption amount" means the exemption amount under section 290.0121,
9.18 subdivision 1, paragraph (b), for the taxable year for which the income is reported;

9.19 (2) "retirement base amount" means the deductible amount for the taxable year for the
9.20 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for
9.21 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard
9.22 to whether the claimant or spouse claimed a deduction; and

9.23 (3) "traditional or Roth style retirement account or plan" means retirement plans under
9.24 sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

9.25 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid in 2022
9.26 and property taxes payable in 2023.