A bill for an act

relating to taxation; income; providing for economic growth in rural counties of the state by allowing a credit against the income tax of an employer for the creation and retention of certain jobs; requiring a report; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 290.

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

Section 1. **[290.0681] RURAL ECONOMIC GROWTH CREDIT.**

Subdivision 1. **Credit name.** The credit allowed by this section shall be known as the "Rural Minnesota Catch-Up Credit."

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

(b) "Eligible county" means a county, located outside the metropolitan area, as defined in section 473.121, subdivision 2, that experienced, between 1994 and 2004, a net new job growth rate of less than 15.6 percent, or a county that has a population of less than 25,000 according to the 2000 census.

(c) "Qualifying job" means a job in an industry that produces goods or services that bring outside wealth into an eligible county. A qualifying job includes jobs in the following industries: value-added manufacturing, technologically innovative and information industries, forestry, mining, agriprocessing, and tourism attractions. At a minimum, a qualifying job must provide full-time employment and pay not less than $12 per hour, or $10 per hour plus health insurance benefits, or its equivalent. A qualifying job does not include any job for which a tax credit is received under section 469.318 or for which a grant is made under section 469.309.

Subd. 3. **Credit allowed.** A taxpayer that is awarded a credit under subdivision 4 may take a credit against the tax imposed by this chapter, equal to $4,000 per qualifying job created by the taxpayer, per year for three years, and $3,000 in the fourth year.

Subd. 4. **Qualification; application.** (a) To qualify for a credit under this section, a taxpayer must create a new qualifying job within an eligible county. The taxpayer must create the qualifying job within 12 months of being awarded the credit. If a taxpayer does not create the qualifying job within 12 months, the credit is forfeited and, if claimed by the taxpayer, subject to recapture, and the credit amount accrues back to the eligible county for allocation under subdivision 5.

(b) A taxpayer seeking a credit under this section must apply to an eligible county at least 60 days before the award date in paragraph (c) on a form and in a manner prescribed by the commissioner of employment and economic development.

(c) Eligible counties shall award credits under this section once each year, by March 15. An eligible county shall publish a notice advertising the award date, at least 90 days before the date. The county board of commissioners of an eligible county, or the duly appointed representatives of the county board of commissioners, shall award credits under this section to applicants using uniform criteria established by the commissioner of employment and economic development. In selecting among applicants for awarding credits under this section, criteria must contemplate and place greater weight on the following factors: whether the qualifying job provides higher wages, better benefits, or on-the-job training; whether the taxpayer's business is locally owned and owns, rather than leases, its own facilities or buildings; whether the taxpayer's business provides employee stock ownership plans or employee profit sharing; and whether a higher percentage of the business's employees are hired with tax credits under this section. For purposes of this section, "duly appointed representatives" include a county or regional economic development agency or authority.

Subd. 5. **Limitation; carryforward.** (a) The total amount of credits under this section may not exceed $150,000 per eligible county over two years. If a county fails to award $150,000 within a year, it may carry forward the amount that remains unawarded to the following year. Unawarded amounts may not be carried beyond the following year and are lost.

(b) A taxpayer may claim the credit under this section for the year following the year in which the new qualifying job is created and for each year the new qualifying job remains in existence, up to a maximum of four years or $15,000 per qualifying job created. The taxpayer may claim the credit under this section for years in which the qualifying job was in existence for the entire year. A credit under this section is awarded to the taxpayer for, and attaches to, a designated employee. If the designated employee for whom a credit under this section was awarded leaves the employment of the taxpayer for any reason, the remaining credit the taxpayer would otherwise be eligible to receive is forfeited and may not be claimed by the taxpayer unless a replacement employee is hired to fill the qualifying job within a reasonable period, not to exceed three months. Credit amounts forfeited under this paragraph accrue back to and may be awarded by an eligible county as if the amount had been unawarded, as provided in paragraph (a).

Subd. 6. **Credit refundable.** If the amount of credit that the taxpayer is eligible to receive under this section exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the claimant. An amount sufficient to pay the refunds authorized by this subdivision is appropriated to the commissioner from the general fund.

Subd. 7. **Manner of claiming.** The commissioner shall prescribe the manner in which the credit may be issued and claimed. This may include providing for the issuance of credit certificates or allowing the credit only as a separately processed claim for a refund.

Subd. 8. **Report.** The commissioner of employment and economic development shall provide a written report to the legislature by February 15, 2011, in compliance with sections 3.195 and 3.197, on credits claimed under this section and shall evaluate the feasibility and benefit of continuing the program. The commissioner may consult with the commissioner of revenue in preparing this report.

Subd. 9. **Expiration.** This section expires for taxable years beginning after December 31, 2013.

EFFECTIVE DATE. This section is effective January 1, 2010.