

MINNESOTA • REVENUE

February 1, 2016

The Honorable Greg Davids
Chair, House Taxes Committee
585 State Office Building, St. Paul, MN 55155

The Honorable Paul Marquart
DFL Lead, House Taxes Committee
261 State Office Building, St. Paul, MN 55155

The Honorable Steve Draskowski
Chair, House Property Tax and
Local Government Finance Division
591 State Office Building, St. Paul, MN 55155

The Honorable Jim Davnie
DFL Lead, House Property Tax and
Local Government Finance Division
393 State Office Building, St. Paul, MN 55155

The Honorable Rod Skoe
Chair, Senate Taxes Committee
3211 MN Senate Building, St. Paul, MN 55155

The Honorable Julianne Ortman
Ranking Minority Member,
Senate Taxes Committee
119 State Office Building, St. Paul, MN 55155

The Honorable Ann Rest
Chair, Senate Tax Reform Division
3209 MN Senate Building, St. Paul, MN 55155

The Honorable Dave Thompson
Ranking Minority Member,
Senate Tax Reform Division
131 State Office Building, St. Paul, MN 55155

The Honorable Terri Bonoff
Chair, Senate Higher Education and
Workforce Development Committee
3105 MN Senate Building, St. Paul, MN 55155

The Honorable Jeremy Miller
Minority Lead, Senate Higher Education and
Workforce Development Committee
135 State Office Building, St. Paul, MN 55155

The Honorable Bud Nornes
Chair, House Higher Education Policy and
Finance Committee
471 State Office Building, St. Paul, MN 55155

The Honorable Gene Pelowski
DFL Lead, House Higher Education and
Finance Committee
295 State Office Building, St. Paul, MN 55155

Commissioner Larry Pogemiller
Office of Higher Education
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To Members of the Legislature of the State of Minnesota and Commissioner of Higher Education:

Minnesota Statutes 136A.129 directed the Office of Higher Education and the Department of Revenue to report to the legislature on the greater Minnesota internship program. The report was to include the following:

- (1) The number and dollar amount of credits allowed;
- (2) The number of interns employed under the program; and
- (3) The cost of administering the program.

Included in this letter is background on the Greater Minnesota Internship Tax Credit Program, as well as the results required above.

Background

The **Greater Minnesota Internship Tax Credit Program** provides a tax credit to eligible employers who employ eligible student interns at locations in greater Minnesota (Counties other than Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright). Eligible employers can apply for a tax credit of up to \$2,000 per student intern who completes an eligible internship experience.

To be eligible

Employers must:

- Enter into an agreement with a participating college to employ an eligible student intern; and
- Certify in the agreement, the student intern:
 - Would not have been hired without the tax credit; and
 - Did not previously work for the employer in a same or similar job; and
 - Does not replace a current employee; and
 - Has not previously participated in the program; and
 - Will be employed at a location in greater Minnesota; and
 - Will be paid at least minimum wage; and
 - Will work for a minimum of 16 hours per week for at least 8 weeks (Tax Year 2014 internships that began before 5/20/2014 must have been for a minimum of 12 weeks); and
 - Will be supervised and evaluated.
- Agree to provide the college and/or the Office with follow-up data on any participating student interns later employed full-time by the employer; and
- Be a taxpayer under Minnesota Statutes Section 290.01.

Students must:

- Be attending a participating Minnesota college and university; and
- Have completed 50% of the credits necessary to complete his or her program; and
- Submit all of the necessary forms and complete any college requirements in order to receive academic credit for successfully completing the internship; and
- Not be employed as an intern in order to complete requirements as part of his or her academic program's curriculum.
 - For example, a student enrolled in a nursing program completing clinical hours or a student enrolled in an auto body repair program completing required internship credits.
 - Exception is if student will be receiving academic credit to fulfill a general or liberal arts component required of all students.

To participate, postsecondary institutions must be a public college or university or non-profit, baccalaureate or graduate degree granting college or university located in Minnesota.

Eligible employers can apply for a tax credit of up to \$2,000 per student intern who completes an eligible internship experience. The amount of the tax credit is 40% of the compensation paid to each eligible student intern during an internship experience; not to exceed \$2,000 per student intern or the maximum amount certified by the college.

The credit appears on multiple tax return forms, including the M4, KF, KPI, KPC, KS, M1B, M4, and the M1.

Results

1) The number and dollar amount of credits allowed:

In calendar year 2014, Office of Higher Education approved seven businesses to participate in the program. Three of those businesses claimed a total of \$7,432 in credits. The remaining four businesses did not claim the credits.

2) The number of interns employed under the program:

In calendar year 2014, nine interns worked for the seven businesses approved to participate in the program. Of those, four interns worked for the three businesses which claimed credits.

3) The cost of administering the program:

The Office of Higher Education reports that it spends \$20,000 per year to administer the program. The Department of Revenue's estimated cost to develop related database systems was \$96,000. DOR will have ongoing costs of \$19,000 per year to maintain the database systems.