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**Authors:** Ward and others

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**Analyst:** Joel Michael, joel.michael@house.mn  
Sean Williams, sean.williams@house.mn

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## Overview

This bill provides a nonrefundable 50-percent tax credit under the individual income and corporate franchise taxes for charitable contributions to youth intervention programs. The total amount of credits is annually capped at \$5 million. The commissioner of public safety is responsible for approving qualifying programs and allocating credit certificates to applicant donors (on a first-come-first-served basis).

The tax credit is effective for tax year 2019.

### Section

- Youth intervention donation tax credit.** Allows individuals and corporations a 50-percent tax credit for donations to qualified organizations, as defined in and limited by section 2. The credit is nonrefundable and applies against both regular and alternative minimum tax, but not the minimum fee. A 5-year credit carryover is allowed if the credit exceeds tax liability. Although the commissioner of public safety approves the qualified organizations and issues the tax credit certificates that must be obtained before making a donation to receive the credit, the commissioner of revenue may audit allowance of the credit.

**Effective date:** tax year 2019

- Youth intervention donation tax credit.**

**Subd. 1 Definitions.** Defines terms used in this section and section 1:

## Section

- **Donations** qualifying for the credit must satisfy the charitable contribution rules under the federal income tax.
- **Qualified youth intervention organizations** (i.e., organizations, donations to which qualify for the credit) must be section 501(c)(3) organizations (nonprofits under federal charitable contribution rules) that primarily provide youth intervention services and that have been approved by the commissioner of public safety.
- **Youth intervention services** are community-based services to help at-risk adolescents and young adults (up to age 21).

**Subd. 2. Credit allowed.** Provides a 50-percent tax credit to donors (individuals and corporations) against the individual income and corporate taxes for donations to qualified organizations up to the amount of the certificate that Public Safety has issued to the donor under subdivision 3. The donor must obtain the tax credit certificate before making the donation.

**Subd. 3. Application for certificates.** Establishes the procedures for the commissioner of public safety to issue credit certificates to applicants. The commissioner is to make applications available by January 1<sup>st</sup> and is directed to approve applications on a first-come-first-served basis. Only \$5 million in certificates may be issued per taxable year. The maximum limit for an individual contributor is \$5,000 (\$10,000 for married joint filers) and is \$50,000 for a corporation. These limits apply to contributions for each qualified organization (e.g., a donor could receive total tax credits in a year for amounts above the limits by contributing to separate organizations).

**Subd. 4. Responsibilities of the qualified organizations.** To receive donations that qualify for the credit, an organization must apply to the commissioner of public safety for approval and demonstrate that it is a 501(c)(3) organization that provides youth intervention services. Approved organizations must provide receipts to their donors and make documentation available to the commissioner. Annual reports are required that document the number, amount, and use of the donations for permitted purposes and for organizations receiving more than \$150,000 in donations, information on the organization's finances must also be provided.

**Subd. 5. Commissioner's responsibilities.** The commissioner of public safety is responsible for managing the application processes and for posting lists of the qualifying organizations on the department's website. In addition, the commissioner can audit qualified organizations and bar those that violate the program's legal requirements from participating. The commissioner can contract with a private entity (must be a 501(c)(3) entity that provides youth intervention services) to carry out any of these responsibilities.

- 3 Appropriation.** Appropriates \$100,000 from the general fund to the commissioner of public safety for fiscal year 2019 to administer approval of organizations and issuance of credit certificates. This is a one-time appropriation that is not added to the base budget.