I. Greater Minnesota Internship Tax Credit Program

A. Program Objective
   1. To stimulate businesses to hire postsecondary students as interns and assist participating interns in finding permanent career positions by providing academic credit at participating postsecondary institutions to participating postsecondary students employed as interns in greater Minnesota (Counties other than Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright) and tax credits for participating employers who hire eligible postsecondary students as interns in greater Minnesota.

B. Eligibility to Participate
   1. Postsecondary Institutions
      To be eligible, a postsecondary institution must be located in Minnesota and must:
      a. Complete a Participation Agreement form provided by the Office; and
     b. Be a public postsecondary institution or a Minnesota private, nonprofit, baccalaureate degree-granting college or university.

   2. Student
      To be eligible, a student must:
      a. Be enrolled in an participating institution; and
      b. Have completed one-half of the credits necessary for the respective degree or certification; and
      c. Not employed by an eligible employer to fulfill degree or certificate requirements as part of his or her academic program’s curriculum.
      i. For example, a student enrolled in a nursing program and employed by an eligible employer to complete clinical hours or a student enrolled in an auto body repair program completing required internship credits as an employee of an auto body repair shop.

C. Arranging Eligible Internship Positions
   1. A written agreement must be entered into between the postsecondary institution, the internship provider/employer and the student.
   2. At a minimum, the agreement must specify the following:
      a. Postsecondary institution agrees that:
      i. The student is eligible to participate; and
ii. The work experience of the internship is related to the eligible student's course of study; and

iii. The necessary academic forms have been submitted in order for academic credit to be awarded to the student upon successful completion of the internship experience.

b. Internship Provider/Employer agrees that the student:

i. Would not have been hired without the tax credit; and

ii. Did not work for the Internship Provider/Employer in a same or similar job prior to the Internship Start Date listed on the agreement; and

iii. Does not replace a current employee; and

iv. Has not previously participated in the program; and

v. Will be employed at a location in greater Minnesota (Counties other than Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright); and

vi. Will be paid at least minimum wage; and

vii. Will work for a minimum of 16 hours per week for at least 12 weeks; and

viii. Will be supervised and evaluated.

c. The student agrees to:

i. Complete any requirements established by my college including, but not limited to, assignments, tasks or a final project/paper in order to receive academic credit for successful completion of the internship experience; and

ii. Give permission to his or her college, the Office of Higher Education and the internship provider/employer to share information and documentation about the internship experience with each other including, but not limited to, attendance, wage and performance evaluation records.

d. In addition, the agreement must also specify the following:

i. Internship provider/employer information including:
   • Name of organization/company or business; and
   • Federal Employer Identification Number (FEIN); and
   • Minnesota Tax ID.

ii. Internship experience information including:
   • Student Name
• Name and contact information for the Faculty or Academic Representative who is responsible for awarding academic credit upon successful completion of the internship experience; and
• Internship start and end dates; and
• Approximate hours per week the student will work; and
• Hourly wage the student will be paid; and
• County in which internship experience will take place.

iii. The postsecondary institution and the internship provider/employer agree to annually report to the Office:
• The number of interns hired; and
• The number of hours and weeks worked by interns; and
• The compensation paid to interns.

iv. Certification by the postsecondary institution of the maximum tax credit amount for which the internship provider/employer may apply after the student listed on the agreement has successfully completed the internship experience.
• For Tax Year 2014, the maximum tax credit amount is $2,000 per student intern.

3. A participating postsecondary institution may design its own agreement form or modify an existing institutional form however the form must include the minimum requirements listed above.
   a. A template is provided in the Appendix of this chapter.

4. Signed agreements must be on file at the postsecondary institutions and are subject to state audit reviews. A sample contract is provided in Appendix

D. Application for Tax Credit Process

1. Employers may apply for a Greater Minnesota Internship Tax Credit if:
   a. There is a signed agreement with an eligible and participating postsecondary institution that certifies:
      i. The employee was an eligible student during the tax year; and
      ii. A maximum tax credit amount for the student listed on the agreement; and
      iii. Documentation from the postsecondary institution showing the student successfully completed the internship experience and was awarded academic credit.
b. The tax credit amount for which an eligible employer may apply is based on the following formula:
   i. 40 percent of the compensation paid to an eligible student intern during the internship experience; and
   ii. Not to exceed $2,000 per student intern or the maximum amount certified by the postsecondary institution on the signed agreement.

2. The Minnesota Department of Revenue will provide a form beginning in Tax Year 2014 for eligible employers to use when completing their annual taxes.

   Note: For Tax Year 2014, due to a delay in the availability of materials and forms, employers with signed agreements in place after the internship start date but before the internship end date may use the amount of compensation paid to eligible student interns retroactively back to the internship experience start date when calculating the amount of the tax credit.

E. Allocation of Tax Credits by Postsecondary Institutions to Internship Providers/Employers

1. The amount of tax credits available for postsecondary institutions to allocate to eligible employers is limited.
   a. For the 2014 tax year, the total amount of tax credits allocated must not exceed $2,000,000.

2. Each year, postsecondary institutions will be asked to provide an estimated number of eligible students they expect to be able to place with eligible employers in eligible internship experiences for the next tax year.
   a. Postsecondary institutions will provide this estimate on the annual participation agreement.

3. Based on the estimates provided by postsecondary institutions, an initial notice will be provided which will indicate the maximum allowable tax credits each eligible and participating institution may allocate.

4. Throughout the tax year, postsecondary institutions will be asked to report:
   a. The number and amount of tax credits allocated; and
   b. Any change in the estimated number of tax credits it will be able to allocate; and
c. The number, if any, of eligible internship providers/employers on a waiting list who have internship opportunities for which no eligible students have been placed due to the limited amount of tax credits available at the postsecondary institution.

5. Based on the information provided by postsecondary institutions throughout the tax year the Office will:
   a. Notify postsecondary institutions with excess tax credits available of a reduction in the amount of available tax credits available for the postsecondary institution to allocate; and
   b. Will reallocate excess tax credits to postsecondary institutions with waiting lists.

F. State Audit Requirements

1. Records Available for Auditors
   a. OHE auditors will periodically visit each participating postsecondary institution to perform an audit.
   b. The postsecondary institution also has the option of hiring an outside auditing firm to conduct its state audits in conjunction with its audits of federal aid programs. (See ‘Audits’ under the Common Definitions chapter of the Financial Aid Manual for further information.)
   c. The postsecondary institution must establish a procedure by which an audit can be conducted by going to no more than three administrative offices within the postsecondary institution. In most cases, these will be the financial aid office, the business office and the registrar’s office, but that choice is made by the postsecondary institution.
   d. The postsecondary institution must maintain and make available to auditors individual student registration and financial aid files (only if student applied for financial aid) for each student listed on an annual application.
   e. Historical records and documentation must be kept on file for three years after the last day of the fiscal year or until all audit exceptions for the period are resolved.

2. Student Eligibility
   a. The postsecondary institution must have written documentation that each student listed on an annual application meets all of the program eligibility requirements described in the ‘Eligibility to Participate’ section in this chapter.

3. Internship Provider/Employer Agreements
a. During an audit review, the postsecondary institution must be able to produce internship provider/employer agreements as described in the ‘Arranging Eligible Internship Positions’ section of this chapter.
Minnesota Statutes Governing Greater Minnesota Internship Tax Credit Program
136A.129 GREATER MINNESOTA INTERNSHIP PROGRAM.

Subdivision 1. Definitions. (a) For the purposes of this section, the terms defined in this subdivision have the meanings given to them.

(b) "Eligible employer" means a taxpayer under section 290.01 with employees located in greater Minnesota.

(c) "Eligible institution" means a Minnesota public postsecondary institution or a Minnesota private, nonprofit, baccalaureate degree-granting college or university.

(d) "Eligible student" means a student enrolled in an eligible institution who has completed one-half of the credits necessary for the respective degree or certification.

(e) "Greater Minnesota" means the area of the state outside of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.

Subd. 2. Program established. The Office of Higher Education shall administer a greater Minnesota internship program through eligible institutions to provide credit at the eligible institution for internships and tax credits for eligible employers who hire interns for employment in greater Minnesota.

Subd. 3. Program components. (a) An intern must be an eligible student who has been admitted to a major program that is related to the intern experience as determined by the eligible institution.

(b) To participate in the program, an eligible institution must:

(1) enter into written agreements with eligible employers to provide internships that are at least 12 weeks long and located in greater Minnesota;

(2) determine that the work experience of the internship is related to the eligible student's course of study; and

(3) provide academic credit for the successful completion of the internship or ensure that it fulfills requirements necessary to complete a vocational technical education program.

(c) To participate in the program, an eligible employer must enter into a written agreement with an eligible institution specifying that the intern:
(1) would not have been hired without the tax credit described in subdivision 4;
(2) did not work for the employer in the same or a similar job prior to entering the agreement;
(3) does not replace an existing employee;
(4) has not previously participated in the program;
(5) will be employed at a location in greater Minnesota;
(6) will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least 12 weeks; and
(7) will be supervised and evaluated by the employer.

(d) The written agreement between the eligible institution and the eligible employer must certify a credit amount to the employer, not to exceed $2,000 per intern. The total dollar amount of credits that an eligible institution certifies to eligible employers in a calendar year may not exceed the amount of its allocation under subdivision 4.

(e) Participating eligible institutions and eligible employers must report annually to the office. The report must include at least the following:
(1) the number of interns hired;
(2) the number of hours and weeks worked by interns; and
(3) the compensation paid to interns.

(f) An internship required to complete an academic program does not qualify for the greater Minnesota internship program under this section.

Subd. 4. **Tax credit allowed.** An employer is entitled to a tax credit as provided in section 290.06, subdivision 36. The total amount of credits allocated in a calendar year must not exceed $2,000,000. The office shall determine relevant criteria to allocate the tax credits including the geographic distribution of credits to work locations outside the metropolitan area, and shall allocate credits to eligible institutions that meet the criteria on a first-come, first-served basis. Any credits allocated to an institution but not used may be reallocated to eligible institutions. The office shall allocate a portion of the administrative fee under section 290.06, subdivision 36, to participating eligible institutions for their administrative costs.
Subd. 5. **Reports to the legislature.** (a) By February 1, 2015, the office and the Department of Revenue shall report to the legislature on the greater Minnesota internship program. The report must include at least 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.

(b) By February 1, 2016, the office and the Department of Revenue shall report to the legislature with an analysis of the effectiveness of the program in stimulating businesses to hire interns and in assisting participating interns in finding permanent career positions. This report must include the number of students who participated in the program who were subsequently employed full-time by the employer.

**History:** 2013 c 143 art 6 s 4

Subd. 36. **Greater Minnesota internship credit.**

(a) A taxpayer who is an eligible employer may take a credit against the tax due under this chapter equal to the lesser of:

1. 40 percent of the compensation paid to an intern qualifying under the program established under section 136A.129, but not to exceed $2,000 per intern; or
2. the amount certified to the taxpayer by an eligible institution out of the institution's allocation of credits for the calendar year, as provided in section 136A.129.

(b) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's income for the taxable year.

(c) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer’s tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.
(d) An amount necessary to pay claims for refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(e) An amount equal to one percent of the total amount of the credits authorized under section 136A.129, subdivision 4, for an administrative fee for the Office of Higher Education and participating eligible institutions is appropriated from the general fund to the commissioner of revenue, for a transfer to the Office of Higher Education.

(f) For purposes of this subdivision, the terms "eligible employer" and "eligible institution" have the meanings given in section 136A.129.