

### Minnesota Governor Signs “Jobs Bill” into Law

On April 1, 2010, Governor Pawlenty signed [HF 2695](#) into law. The bill includes several credits and incentives, including the following changes to the Minnesota research and development (R&D) credit, effective for taxable years beginning after December 31, 2009:

- > Partners and S corporation shareholders may now claim the R&D credit. (Previously, only C corporations could claim the credit.)
- > The credit is now equal to 10 percent (previously 5 percent) of the first \$2,000,000 of excess qualified research expenses for the taxable year over the base amount, if any; and 2.5 percent on all of such excess expenses over \$2,000,000.
- > The credit now will be refundable.

All pass-through entities should seek to take advantage of the Minnesota R&D credit for the first time in 2010. In addition, all companies that have been unable to claim the credit because of losses should seek to claim the credit in 2010 to obtain a refund.

### Other Credits and Incentives Included in the Bill

- > A refundable investment credit for “angel” type venture capital investments equal to 25 percent of the qualified investment in a certified small business. (This credit is essentially a small business investment credit for investments by certain outside investors.)
- > A refundable historic structure rehabilitation credit
- > Authority for local governments to finance energy conservation improvements and collect repayments as special assessments (at the request of the property owner)
- > Authority of the Public Finance Authority to issue revenue bonds for city transportation projects
- > Compact development tax increment financing (TIF) districts
- > Expanded authority to:
  - Temporarily use TIF for economic development
  - Use excess TIF revenues for construction of new private development
  - Use TIF for housing replacement within several cities
- > Provision of modified JOBZ benefits to the Ford Motor Company site in St. Paul, if certain conditions are met
- > Additional flexibility for the city of Bloomington to develop the Mall of America site
- > An appropriation for additional tax compliance activities expected to result in new general fund revenue beginning in fiscal year 2011
- > Distributions to taconite cities and townships for public works projects (from taconite production revenue), in addition to other miscellaneous mineral changes

Overall, the bill provides new opportunities – some refundable – for taxpayers that meet all of the qualifications and criteria required. Please be aware that some incentives require upfront negotiation, annual reporting, and precertification.

If you have any questions regarding the Minnesota Jobs Bill, or any other state and local tax issues, please contact your Baker Tilly advisor or send an e-mail to [tax@bakertilly.com](mailto:tax@bakertilly.com).