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State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETIETH SESSION

H. F. No. 1824

02/27/2017 Authored by Newberger, Howe, Backer, Franke, Grossell and others  
The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act  
1.2 relating to taxation; individual income; providing a subtraction for income from  
1.3 volunteer firefighter and volunteer ambulance service personnel pensions; repealing  
1.4 certain supplemental benefits; amending Minnesota Statutes 2016, sections  
1.5 290.0132, by adding a subdivision; 290.091, subdivision 2; repealing Minnesota  
1.6 Statutes 2016, sections 353G.11, subdivision 3; 424A.10, subdivisions 1, 2, 3, 4.

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

1.8 Section 1. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
1.9 to read:

1.10 Subd. 23. Volunteer firefighter and volunteer ambulance personnel pensions. The  
1.11 amount of income received from pensions under chapter 353G or 424A, or from other Public  
1.12 Employee Retirement Association benefits, for services provided as volunteer ambulance  
1.13 service personnel as defined in section 353.01, subdivision 35, or a volunteer firefighter as  
1.14 defined in section 353.01, subdivision 36, is a subtraction.

1.15 EFFECTIVE DATE. This section is effective for taxable years beginning after December  
1.16 31, 2017.

1.17 Sec. 2. Minnesota Statutes 2016, section 290.091, subdivision 2, is amended to read:

1.18 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
1.19 terms have the meanings given:

1.20 (a) "Alternative minimum taxable income" means the sum of the following for the taxable  
1.21 year:

- 2.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
2.2 55(b)(2) of the Internal Revenue Code;
- 2.3 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum  
2.4 taxable income, but excluding:
- 2.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 2.6 (ii) the medical expense deduction;
- 2.7 (iii) the casualty, theft, and disaster loss deduction; and
- 2.8 (iv) the impairment-related work expenses of a disabled person;
- 2.9 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue  
2.10 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),  
2.11 to the extent not included in federal alternative minimum taxable income, the excess of the  
2.12 deduction for depletion allowable under section 611 of the Internal Revenue Code for the  
2.13 taxable year over the adjusted basis of the property at the end of the taxable year (determined  
2.14 without regard to the depletion deduction for the taxable year);
- 2.15 (4) to the extent not included in federal alternative minimum taxable income, the amount  
2.16 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue  
2.17 Code determined without regard to subparagraph (E);
- 2.18 (5) to the extent not included in federal alternative minimum taxable income, the amount  
2.19 of interest income as provided by section 290.0131, subdivision 2; and
- 2.20 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;
- 2.21 less the sum of the amounts determined under the following:
- 2.22 (1) interest income as defined in section 290.0132, subdivision 2;
- 2.23 (2) an overpayment of state income tax as provided by section 290.0132, subdivision 3,  
2.24 to the extent included in federal alternative minimum taxable income;
- 2.25 (3) the amount of investment interest paid or accrued within the taxable year on  
2.26 indebtedness to the extent that the amount does not exceed net investment income, as defined  
2.27 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
2.28 in computing federal adjusted gross income;
- 2.29 (4) amounts subtracted from federal taxable income as provided by section 290.0132,  
2.30 subdivisions 7, 9 to 15, 17, ~~and 21~~, and 23; and

3.1 (5) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
3.2 paragraph (c).

3.3 In the case of an estate or trust, alternative minimum taxable income must be computed  
3.4 as provided in section 59(c) of the Internal Revenue Code.

3.5 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of  
3.6 the Internal Revenue Code.

3.7 (c) "Net minimum tax" means the minimum tax imposed by this section.

3.8 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard  
3.9 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed  
3.10 under this chapter.

3.11 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income  
3.12 after subtracting the exemption amount determined under subdivision 3.

3.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.14 31, 2017.

3.15 Sec. 3. **REPEALER.**

3.16 Minnesota Statutes 2016, sections 353G.11, subdivision 3; and 424A.10, subdivisions  
3.17 1, 2, 3, and 4, are repealed.

3.18 **EFFECTIVE DATE.** This section is effective January 1, 2018.

**353G.11 LUMP-SUM RETIREMENT DIVISION SERVICE PENSION LEVELS.**

Subd. 3. **Supplemental benefit.** The lump-sum retirement account of the retirement plan also shall pay a supplemental benefit as provided for in section 424A.10.

**424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.**

Subdivision 1. **Definitions.** For purposes of this section:

(1) "qualified recipient" means an individual who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for service that the individual has performed as a volunteer firefighter;

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who regularly renders fire suppression service for a municipal fire department or an independent nonprofit firefighting corporation, who has met the statutory and other requirements for relief association membership, and who is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month; and

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who terminated active firefighting service, has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension.

Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer firefighters relief association or by the voluntary statewide lump-sum volunteer firefighter retirement plan of a lump-sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association must pay the supplemental benefit out of its special fund and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that capacity.

(b) Upon the payment by a relief association or the retirement plan of a lump-sum survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased deferred volunteer firefighter, the association must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the special fund of the relief association and the retirement plan must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the retirement fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the survivor benefit, but not to exceed \$2,000.

(c) For purposes of this section, the term "regular lump-sum distribution" means the pretax lump-sum distribution excluding any interest that may have been credited during a volunteer firefighter's period of deferral.

(d) An individual may receive a supplemental benefit under paragraph (a) or under paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer firefighter benefit.

Subd. 3. **State reimbursement.** (a) Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the volunteer firefighters relief association or the voluntary statewide lump-sum volunteer firefighter retirement plan shall apply to the commissioner of revenue by February 15. By March 15, the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid by the relief association to qualified recipients and to survivors of deceased active or deferred volunteer firefighters.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located and shall reimburse the retirement

APPENDIX

Repealed Minnesota Statutes: 17-2140

plan by paying the reimbursement amount to the executive director of the Public Employees Retirement Association. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association, the reimbursement payment must be deposited in the special fund of the relief association and when paid to the retirement plan, the reimbursement payment must be deposited in the retirement fund of the plan.

(c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

Subd. 4. **In lieu of income tax exclusion.** (a) The supplemental benefit provided by this section is in lieu of the state income tax exclusion for lump-sum distributions of retirement benefits paid to volunteer firefighters.

(b) If the law is modified to exclude or exempt volunteer firefighters' lump-sum distributions from state income taxation, the supplemental benefits under this section are no longer payable, beginning with the first calendar year in which the exclusion or exemption is effective. This subdivision does not apply to exemption of all or part of a lump-sum distribution under section 290.032 or 290.0802.