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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 1945

03/02/2017 Authored by Neu; Davids; Johnson, B.; Jessup; Theis and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; allowing a subtraction for Social Security
1.3 benefits; amending Minnesota Statutes 2016, sections 290.0132, by adding a
1.4 subdivision; 290.091, subdivision 2; proposing coding for new law in Minnesota
1.5 Statutes, chapter 290.

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

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

1.9 Subd. 23. Social Security benefits. The amount of Social Security benefits, as provided
1.10 in section 290.0803, is a subtraction.

1.11 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.12 31, 2016.

1.13 Sec. 2. [290.0803] SOCIAL SECURITY SUBTRACTION.

1.14 (a) An individual is allowed a subtraction from federal taxable income equal to Social
1.15 Security benefits. The subtraction under this section is reduced by the amount of provisional
1.16 income over a threshold amount, but in no case is the subtraction less than zero. For married
1.17 couples filing joint returns and surviving spouses the threshold is \$75,000. For all other
1.18 filers the threshold is \$55,000.

1.19 (b) For purposes of this section, "provisional income" means modified adjusted gross
1.20 income, as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the
1.21 amount of Social Security benefits received during the taxable year.

2.1 (c) The commissioner shall adjust the dollar amounts of the income thresholds at which
2.2 the subtraction begins to be reduced under paragraph (a) by the percentage determined
2.3 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
2.4 1(f)(3)(B) the word "2016" shall be substituted for the word "1992." For 2018, the
2.5 commissioner shall then determine the percent change from the 12 months ending on August
2.6 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from
2.7 the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the
2.8 year preceding the taxable year. The determination of the commissioner pursuant to this
2.9 section must not be considered a rule and is not subject to the Administrative Procedure
2.10 Act contained in chapter 14, including section 14.386. The threshold amount as adjusted
2.11 must be rounded to the nearest \$100 amount. If the amount ends in \$50, the amount is
2.12 rounded up to the nearest \$100 amount.

2.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.14 31, 2016.

2.15 Sec. 3. Minnesota Statutes 2016, section 290.091, subdivision 2, is amended to read:

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

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

2.20 (1) the taxpayer's federal alternative minimum taxable income as defined in section
2.21 55(b)(2) of the Internal Revenue Code;

2.22 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
2.23 taxable income, but excluding:

2.24 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

2.25 (ii) the medical expense deduction;

2.26 (iii) the casualty, theft, and disaster loss deduction; and

2.27 (iv) the impairment-related work expenses of a disabled person;

2.28 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
2.29 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
2.30 to the extent not included in federal alternative minimum taxable income, the excess of the
2.31 deduction for depletion allowable under section 611 of the Internal Revenue Code for the

3.1 taxable year over the adjusted basis of the property at the end of the taxable year (determined
3.2 without regard to the depletion deduction for the taxable year);

3.3 (4) to the extent not included in federal alternative minimum taxable income, the amount
3.4 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
3.5 Code determined without regard to subparagraph (E);

3.6 (5) to the extent not included in federal alternative minimum taxable income, the amount
3.7 of interest income as provided by section 290.0131, subdivision 2; and

3.8 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

3.9 less the sum of the amounts determined under the following:

3.10 (1) interest income as defined in section 290.0132, subdivision 2;

3.11 (2) an overpayment of state income tax as provided by section 290.0132, subdivision 3,
3.12 to the extent included in federal alternative minimum taxable income;

3.13 (3) the amount of investment interest paid or accrued within the taxable year on
3.14 indebtedness to the extent that the amount does not exceed net investment income, as defined
3.15 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
3.16 in computing federal adjusted gross income;

3.17 (4) amounts subtracted from federal taxable income as provided by section 290.0132,
3.18 subdivisions 7, 9 to 15, 17, ~~and 21~~, and 23; and

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

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

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

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

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

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

4.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.2 31, 2016.

4.3 Sec. 4. **PURPOSE STATEMENT; TAX EXPENDITURES.**

4.4 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
4.5 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
4.6 expenditure provide a purpose for the tax expenditure and a standard or goal against which
4.7 its effectiveness may be measured.

4.8 Subd. 2. **Social Security subtraction.** The purpose of this subtraction is to increase the
4.9 amount of Social Security benefits excluded from taxable income for Minnesota taxpayers
4.10 to an amount equal to or greater than the amount that would have been excluded if the
4.11 income thresholds used at the federal level to determine the amount of benefits subject to
4.12 tax had been adjusted for inflation. Because this tax expenditure is not intended to modify
4.13 taxpayer behavior, there is no standard or goal against which its effectiveness may be
4.14 measured.

4.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.