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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **2106**

02/25/2014 Authored by Lenczewski
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; income and franchise; conforming to changes in the Internal
1.3 Revenue Code; extending the working family credit phaseout for married
1.4 filers; amending Minnesota Statutes 2012, sections 289A.02, subdivision 7;
1.5 289A.08, subdivision 7; 290.01, subdivision 19a, by adding a subdivision;
1.6 290.067, subdivision 2a; 290.0671, subdivision 1; 290.0675, subdivision 1;
1.7 Minnesota Statutes 2013 Supplement, sections 290.01, subdivisions 19, 19b,
1.8 19c, 31; 290.06, subdivision 2c; 290.091, subdivision 2; 290.0921, subdivision
1.9 3; 290A.03, subdivision 15.

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

1.11 Section 1. Minnesota Statutes 2012, section 289A.02, subdivision 7, is amended to read:

1.12 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
1.13 Revenue Code" means the Internal Revenue Code of 1986, as amended through April
1.14 ~~14, 2011~~ January 3, 2013.

1.15 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
1.16 beginning after December 31, 2012.

1.17 Sec. 2. Minnesota Statutes 2012, section 289A.08, subdivision 7, is amended to read:

1.18 Subd. 7. **Composite income tax returns for nonresident partners, shareholders,**
1.19 **and beneficiaries.** (a) The commissioner may allow a partnership with nonresident
1.20 partners to file a composite return and to pay the tax on behalf of nonresident partners who
1.21 have no other Minnesota source income. This composite return must include the names,
1.22 addresses, Social Security numbers, income allocation, and tax liability for the nonresident
1.23 partners electing to be covered by the composite return.

1.24 (b) The computation of a partner's tax liability must be determined by multiplying
1.25 the income allocated to that partner by the highest rate used to determine the tax liability

2.1 for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
2.2 deductions, or personal exemptions are not allowed.

2.3 (c) The partnership must submit a request to use this composite return filing method
2.4 for nonresident partners. The requesting partnership must file a composite return in the
2.5 form prescribed by the commissioner of revenue. The filing of a composite return is
2.6 considered a request to use the composite return filing method.

2.7 (d) The electing partner must not have any Minnesota source income other than the
2.8 income from the partnership and other electing partnerships. If it is determined that the
2.9 electing partner has other Minnesota source income, the inclusion of the income and tax
2.10 liability for that partner under this provision will not constitute a return to satisfy the
2.11 requirements of subdivision 1. The tax paid for the individual as part of the composite return
2.12 is allowed as a payment of the tax by the individual on the date on which the composite
2.13 return payment was made. If the electing nonresident partner has no other Minnesota
2.14 source income, filing of the composite return is a return for purposes of subdivision 1.

2.15 (e) This subdivision does not negate the requirement that an individual pay estimated
2.16 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
2.17 The individual's liability to pay estimated tax is, however, satisfied when the partnership
2.18 pays composite estimated tax in the manner prescribed in section 289A.25.

2.19 (f) If an electing partner's share of the partnership's gross income from Minnesota
2.20 sources is less than the filing requirements for a nonresident under this subdivision, the tax
2.21 liability is zero. However, a statement showing the partner's share of gross income must
2.22 be included as part of the composite return.

2.23 (g) The election provided in this subdivision is only available to a partner who has
2.24 no other Minnesota source income and who is either (1) a full-year nonresident individual
2.25 or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of
2.26 the Internal Revenue Code.

2.27 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
2.28 make an election under this paragraph. The provisions covering the partnership apply to
2.29 the corporation and the provisions applying to the partner apply to the shareholder.

2.30 (i) Estates and trusts distributing current income only and the nonresident individual
2.31 beneficiaries of the estates or trusts may make an election under this paragraph. The
2.32 provisions covering the partnership apply to the estate or trust. The provisions applying to
2.33 the partner apply to the beneficiary.

2.34 (j) For the purposes of this subdivision, "income" means the partner's share of
2.35 federal adjusted gross income from the partnership modified by the additions provided in
2.36 section 290.01, subdivision 19a, clauses (6) to ~~(10)~~ (9), and the subtractions provided in:

3.1 (i) section 290.01, subdivision 19b, clause (8), to the extent the amount is assignable or
 3.2 allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b,
 3.3 clause (13). The subtraction allowed under section 290.01, subdivision 19b, clause (8), is
 3.4 only allowed on the composite tax computation to the extent the electing partner would
 3.5 have been allowed the subtraction.

3.6 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 3.7 beginning after December 31, 2012.

3.8 Sec. 3. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19, is
 3.9 amended to read:

3.10 Subd. 19. **Net income.** The term "net income" means the federal taxable income,
 3.11 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the
 3.12 date named in this subdivision, incorporating the federal effective dates of changes to the
 3.13 Internal Revenue Code and any elections made by the taxpayer in accordance with the
 3.14 Internal Revenue Code in determining federal taxable income for federal income tax
 3.15 purposes, and with the modifications provided in subdivisions 19a to 19f.

3.16 In the case of a regulated investment company or a fund thereof, as defined in section
 3.17 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
 3.18 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
 3.19 except that:

3.20 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
 3.21 Revenue Code does not apply;

3.22 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal
 3.23 Revenue Code must be applied by allowing a deduction for capital gain dividends and
 3.24 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal
 3.25 Revenue Code; and

3.26 (3) the deduction for dividends paid must also be applied in the amount of any
 3.27 undistributed capital gains which the regulated investment company elects to have treated
 3.28 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

3.29 The net income of a real estate investment trust as defined and limited by section
 3.30 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
 3.31 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

3.32 The net income of a designated settlement fund as defined in section 468B(d) of
 3.33 the Internal Revenue Code means the gross income as defined in section 468B(b) of the
 3.34 Internal Revenue Code.

4.1 The Internal Revenue Code of 1986, as amended through ~~April 14, 2011~~ January 3,
 4.2 2013, shall be in effect for taxable years beginning after December 31, 1996, ~~and before~~
 4.3 ~~January 1, 2012, and for taxable years beginning after December 31, 2012.~~ The Internal
 4.4 Revenue Code of 1986, as amended through January 3, 2013, is in effect for taxable years
 4.5 beginning after ~~December 31, 2011,~~ and before January 1, 2013.

4.6 The provisions of sections 315 and 331 of the American Taxpayer Relief Act of
 4.7 2012, Public Law 112-240, extension of increased expensing limitations and treatment
 4.8 of certain real property as section 179 property and extension and modification of bonus
 4.9 depreciation, are effective at the same time they become effective for federal purposes.

4.10 Except as otherwise provided, references to the Internal Revenue Code in
 4.11 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for
 4.12 the applicable year.

4.13 **EFFECTIVE DATE.** This section is effective the day following final enactment,
 4.14 except the changes incorporated by federal changes are effective retroactively at the same
 4.15 time as the changes were effective for federal purposes.

4.16 Sec. 4. Minnesota Statutes 2012, section 290.01, subdivision 19a, is amended to read:

4.17 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
 4.18 trusts, there shall be added to federal taxable income:

4.19 (1)(i) interest income on obligations of any state other than Minnesota or a political
 4.20 or governmental subdivision, municipality, or governmental agency or instrumentality
 4.21 of any state other than Minnesota exempt from federal income taxes under the Internal
 4.22 Revenue Code or any other federal statute; and

4.23 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
 4.24 Code, except:

4.25 (A) the portion of the exempt-interest dividends exempt from state taxation under
 4.26 the laws of the United States; and

4.27 (B) the portion of the exempt-interest dividends derived from interest income
 4.28 on obligations of the state of Minnesota or its political or governmental subdivisions,
 4.29 municipalities, governmental agencies or instrumentalities, but only if the portion of the
 4.30 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
 4.31 95 percent or more of the exempt-interest dividends, including any dividends exempt
 4.32 under subitem (A), that are paid by the regulated investment company as defined in section
 4.33 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
 4.34 defined in section 851(g) of the Internal Revenue Code, making the payment; and

5.1 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
 5.2 government described in section 7871(c) of the Internal Revenue Code shall be treated as
 5.3 interest income on obligations of the state in which the tribe is located;

5.4 (2) to the extent allowed as a deduction under section 63(d) of the Internal Revenue
 5.5 Code:

5.6 (i) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or
 5.7 accrued within the taxable year under this chapter and the amount of taxes based on net
 5.8 income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or
 5.9 to any province or territory of Canada, to the extent allowed as a deduction under section
 5.10 63(d) of the Internal Revenue Code, but the addition; and

5.11 (ii) the amount of mortgage insurance premiums treated as qualified residence
 5.12 interest, as provided in section 163(h) of the Internal Revenue Code; but

5.13 (iii) the sum of the additions made under items (i) and (ii) may not be more than the
 5.14 amount by which the itemized deductions as allowed under section 63(d) of the Internal
 5.15 Revenue Code state itemized deduction exceeds the amount of the standard deduction as
 5.16 defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed
 5.17 under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue Code, minus any
 5.18 addition that would have been required under clause (21) (17) if the taxpayer had claimed
 5.19 the standard deduction. For the purpose of this paragraph, the disallowance of itemized
 5.20 deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use,
 5.21 motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

5.22 For purposes of this clause, income, sales and use, motor vehicle sales, and excise taxes
 5.23 and mortgage insurance premiums treated as qualified residence interest are the last
 5.24 itemized deductions disallowed under clause (15);

5.25 (3) the capital gain amount of a lump-sum distribution to which the special tax under
 5.26 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

5.27 (4) the amount of income taxes paid or accrued within the taxable year under this
 5.28 chapter and taxes based on net income paid to any other state or any province or territory
 5.29 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
 5.30 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
 5.31 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

5.32 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
 5.33 other than expenses or interest used in computing net interest income for the subtraction
 5.34 allowed under subdivision 19b, clause (1);

6.1 (6) the amount of a partner's pro rata share of net income which does not flow
 6.2 through to the partner because the partnership elected to pay the tax on the income under
 6.3 section 6242(a)(2) of the Internal Revenue Code;

6.4 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
 6.5 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
 6.6 in the taxable year generates a deduction for depreciation under section 168(k) and the
 6.7 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
 6.8 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
 6.9 limited to excess of the depreciation claimed by the activity under section 168(k) over the
 6.10 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
 6.11 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
 6.12 under section 168(k) is allowed;

6.13 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
 6.14 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
 6.15 Revenue Code of 1986, as amended through December 31, 2003;

6.16 (9) to the extent deducted in computing federal taxable income, the amount of the
 6.17 deduction allowable under section 199 of the Internal Revenue Code;

6.18 ~~(10) for taxable years beginning before January 1, 2013, the exclusion allowed under~~
 6.19 ~~section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;~~

6.20 ~~(11) the amount of expenses disallowed under section 290.10, subdivision 2;~~

6.21 ~~(12) (11) for taxable years beginning before January 1, 2010, and for taxable years~~
 6.22 ~~beginning after December 31, 2012, and before January 1, 2014, the amount deducted for~~
 6.23 ~~qualified tuition and related expenses under section 222 of the Internal Revenue Code, to~~
 6.24 ~~the extent deducted from gross income;~~

6.25 ~~(13) (12) for taxable years beginning before January 1, 2010, and for taxable years~~
 6.26 ~~beginning after December 31, 2012, and before January 1, 2014, the amount deducted for~~
 6.27 ~~certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)~~
 6.28 ~~of the Internal Revenue Code, to the extent deducted from gross income;~~

6.29 ~~(14) the additional standard deduction for property taxes payable that is allowable~~
 6.30 ~~under section 63(c)(1)(C) of the Internal Revenue Code;~~

6.31 ~~(15) the additional standard deduction for qualified motor vehicle sales taxes~~
 6.32 ~~allowable under section 63(c)(1)(E) of the Internal Revenue Code;~~

6.33 ~~(16) (13) discharge of indebtedness income resulting from reacquisition of business~~
 6.34 ~~indebtedness and deferred under section 108(i) of the Internal Revenue Code;~~

6.35 ~~(17) the amount of unemployment compensation exempt from tax under section~~
 6.36 ~~85(e) of the Internal Revenue Code;~~

7.1 ~~(18)~~ (14) changes to federal taxable income attributable to a net operating loss that
7.2 the taxpayer elected to carry back for more than two years for federal purposes but for
7.3 which the losses can be carried back for only two years under section 290.095, subdivision
7.4 11, paragraph (c);

7.5 ~~(19)~~ (15) to the extent included in the computation of federal taxable income in
7.6 taxable years beginning after December 31, 2010, the amount of disallowed itemized
7.7 deductions, but the amount of disallowed itemized deductions plus the addition required
7.8 under clause (2) may not be more than the amount by which the itemized deductions as
7.9 allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the
7.10 standard deduction as defined in section 63(c) of the Internal Revenue Code, ~~disregarding~~
7.11 ~~the amounts allowed under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue~~
7.12 ~~Code, and reduced by any addition that would have been required under clause (21)~~ (17) if
7.13 the taxpayer had claimed the standard deduction:

7.14 (i) the amount of disallowed itemized deductions is equal to the lesser of:

7.15 (A) three percent of the excess of the taxpayer's federal adjusted gross income
7.16 over the applicable amount; or

7.17 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the
7.18 taxpayer under the Internal Revenue Code for the taxable year;

7.19 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a
7.20 married individual filing a separate return. Each dollar amount shall be increased by
7.21 an amount equal to:

7.22 (A) such dollar amount, multiplied by

7.23 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
7.24 Revenue Code for the calendar year in which the taxable year begins, by substituting
7.25 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

7.26 (iii) the term "itemized deductions" does not include:

7.27 (A) the deduction for medical expenses under section 213 of the Internal Revenue
7.28 Code;

7.29 (B) any deduction for investment interest as defined in section 163(d) of the Internal
7.30 Revenue Code; and

7.31 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or
7.32 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue
7.33 Code or for losses described in section 165(d) of the Internal Revenue Code;

7.34 ~~(20)~~ (16) to the extent included in federal taxable income in taxable years beginning
7.35 after December 31, 2010, the amount of disallowed personal exemptions for taxpayers
7.36 with federal adjusted gross income over the threshold amount:

8.1 (i) the disallowed personal exemption amount is equal to the dollar amount of the
 8.2 personal exemptions claimed by the taxpayer in the computation of federal taxable income
 8.3 multiplied by the applicable percentage;

8.4 (ii) "applicable percentage" means two percentage points for each \$2,500 (or
 8.5 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable
 8.6 year exceeds the threshold amount. In the case of a married individual filing a separate
 8.7 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In
 8.8 no event shall the applicable percentage exceed 100 percent;

8.9 (iii) the term "threshold amount" means:

8.10 (A) \$150,000 in the case of a joint return or a surviving spouse;

8.11 (B) \$125,000 in the case of a head of a household;

8.12 (C) \$100,000 in the case of an individual who is not married and who is not a
 8.13 surviving spouse or head of a household; and

8.14 (D) \$75,000 in the case of a married individual filing a separate return; and

8.15 (iv) the thresholds shall be increased by an amount equal to:

8.16 (A) such dollar amount, multiplied by

8.17 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
 8.18 Revenue Code for the calendar year in which the taxable year begins, by substituting
 8.19 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

8.20 ~~(24)~~ (17) to the extent deducted in the computation of federal taxable income, for
 8.21 taxable years beginning after December 31, 2010, and before January 1, ~~2013~~ 2014, the
 8.22 difference between the standard deduction allowed under section 63(c) of the Internal
 8.23 Revenue Code and the standard deduction allowed for 2011 ~~and~~ 2012, and 2013 under the
 8.24 Internal Revenue Code as amended through ~~December 1, 2010~~ January 3, 2013;

8.25 (18) for taxable years beginning after December 31, 2012, and before January 1,
 8.26 2014, to the extent excluded from federal taxable income, the amount by which the
 8.27 exclusion for employer-provided educational assistance allowed by section 127 of the
 8.28 Internal Revenue Code exceeds the amount allowable under section 127 of the Internal
 8.29 Revenue Code of 1986, as amended through June 6, 2001;

8.30 (19) for taxable years beginning after December 31, 2012, and before January 1,
 8.31 2014, to the extent deducted in the computation of federal taxable income, the amount by
 8.32 which the student loan interest deduction allowed by section 221 of the Internal Revenue
 8.33 Code exceeds the amount allowable under section 221 of the Internal Revenue Code of
 8.34 1986, as amended through June 6, 2001;

8.35 (20) for taxable years beginning after December 31, 2012, and before January 1, 2014,
 8.36 to the extent excluded from federal taxable income, the amount by which the exclusion for

9.1 certain amounts received under the national health service corps scholarship program and
 9.2 the F. Edward Hebert armed forces health professions scholarship and financial assistance
 9.3 program under section 117 of the Internal Revenue Code exceeds the amount allowable
 9.4 under section 117 of the Internal Revenue Code of 1986, as amended through June 6, 2001;

9.5 (21) for taxable years beginning after December 31, 2012, and before January 1,
 9.6 2014, the amount allowed under the enhanced charitable deduction for contributions of
 9.7 food inventory under section 170(e)(3)(C) of the Internal Revenue Code, to the extent
 9.8 deducted from gross income;

9.9 (22) for taxable years beginning after December 31, 2012, and before January 1,
 9.10 2014, to the extent excluded from gross income, the amount by which the exclusion
 9.11 for qualified transportation fringe benefits under section 132(f) of the Internal Revenue
 9.12 Code exceeds \$100 per month; and

9.13 (23) for taxable years beginning after December 31, 2012, and before January
 9.14 1, 2014, to the extent excluded from federal taxable income, dividends of regulated
 9.15 investment companies exempt under section 871(k) of the Internal Revenue Code.

9.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 9.17 beginning after December 31, 2012.

9.18 Sec. 5. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19b, is
 9.19 amended to read:

9.20 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,
 9.21 and trusts, there shall be subtracted from federal taxable income:

9.22 (1) net interest income on obligations of any authority, commission, or
 9.23 instrumentality of the United States to the extent includable in taxable income for federal
 9.24 income tax purposes but exempt from state income tax under the laws of the United States;

9.25 (2) if included in federal taxable income, the amount of any overpayment of income
 9.26 tax to Minnesota or to any other state, for any previous taxable year, whether the amount
 9.27 is received as a refund or as a credit to another taxable year's income tax liability;

9.28 (3) the amount paid to others, less the amount used to claim the credit allowed under
 9.29 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
 9.30 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
 9.31 transportation of each qualifying child in attending an elementary or secondary school
 9.32 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
 9.33 resident of this state may legally fulfill the state's compulsory attendance laws, which
 9.34 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
 9.35 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or

10.1 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
10.2 "textbooks" includes books and other instructional materials and equipment purchased
10.3 or leased for use in elementary and secondary schools in teaching only those subjects
10.4 legally and commonly taught in public elementary and secondary schools in this state.
10.5 Equipment expenses qualifying for deduction includes expenses as defined and limited in
10.6 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
10.7 books and materials used in the teaching of religious tenets, doctrines, or worship, the
10.8 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
10.9 or materials for, or transportation to, extracurricular activities including sporting events,
10.10 musical or dramatic events, speech activities, driver's education, or similar programs. No
10.11 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or
10.12 the qualifying child's vehicle to provide such transportation for a qualifying child. For
10.13 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
10.14 given in section 32(c)(3) of the Internal Revenue Code;

10.15 (4) income as provided under section 290.0802;

10.16 (5) to the extent included in federal adjusted gross income, income realized on
10.17 disposition of property exempt from tax under section 290.491;

10.18 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)
10.19 of the Internal Revenue Code in determining federal taxable income by an individual
10.20 who does not itemize deductions for federal income tax purposes for the taxable year, an
10.21 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
10.22 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,
10.23 under the provisions of Public Law 109-1 and Public Law 111-126;

10.24 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not
10.25 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
10.26 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
10.27 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
10.28 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
10.29 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed
10.30 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
10.31 the extent they exceed the federal foreign tax credit;

10.32 (8) in each of the five tax years immediately following the tax year in which an
10.33 addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a
10.34 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
10.35 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount
10.36 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,

11.1 clause (12), in the case of a shareholder of an S corporation, minus the positive value of
11.2 any net operating loss under section 172 of the Internal Revenue Code generated for the
11.3 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

11.4 (9) job opportunity building zone income as provided under section 469.316;

11.5 (10) to the extent included in federal taxable income, the amount of compensation
11.6 paid to members of the Minnesota National Guard or other reserve components of the
11.7 United States military for active service, excluding compensation for services performed
11.8 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
11.9 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
11.10 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
11.11 5b, but "active service" excludes service performed in accordance with section 190.08,
11.12 subdivision 3;

11.13 (11) to the extent included in federal taxable income, the amount of compensation
11.14 paid to Minnesota residents who are members of the armed forces of the United States
11.15 or United Nations for active duty performed under United States Code, title 10; or the
11.16 authority of the United Nations;

11.17 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a
11.18 qualified donor's donation, while living, of one or more of the qualified donor's organs
11.19 to another person for human organ transplantation. For purposes of this clause, "organ"
11.20 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
11.21 "human organ transplantation" means the medical procedure by which transfer of a human
11.22 organ is made from the body of one person to the body of another person; "qualified
11.23 expenses" means unreimbursed expenses for both the individual and the qualified donor
11.24 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
11.25 may be subtracted under this clause only once; and "qualified donor" means the individual
11.26 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
11.27 individual may claim the subtraction in this clause for each instance of organ donation for
11.28 transplantation during the taxable year in which the qualified expenses occur;

11.29 (13) in each of the five tax years immediately following the tax year in which an
11.30 addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a
11.31 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
11.32 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the
11.33 case of a shareholder of a corporation that is an S corporation, minus the positive value of
11.34 any net operating loss under section 172 of the Internal Revenue Code generated for the
11.35 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
11.36 subtraction is not allowed under this clause;

12.1 (14) to the extent included in the federal taxable income of a nonresident of
 12.2 Minnesota, compensation paid to a service member as defined in United States Code, title
 12.3 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
 12.4 Act, Public Law 108-189, section 101(2);

12.5 (15) to the extent included in federal taxable income, the amount of national service
 12.6 educational awards received from the National Service Trust under United States Code,
 12.7 title 42, sections 12601 to 12604, for service in an approved Americorps National Service
 12.8 program;

12.9 (16) to the extent included in federal taxable income, discharge of indebtedness
 12.10 income resulting from reacquisition of business indebtedness included in federal taxable
 12.11 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
 12.12 to the extent that the income was included in net income in a prior year as a result of the
 12.13 addition under section 290.01, subdivision 19a, clause ~~(16)~~ (13);

12.14 (17) the amount of the net operating loss allowed under section 290.095, subdivision
 12.15 11, paragraph (c); ~~and~~

12.16 (18) the amount of expenses not allowed for federal income tax purposes due
 12.17 to claiming the railroad track maintenance credit under section 45G(a) of the Internal
 12.18 Revenue Code;

12.19 (19) the amount of the limitation on itemized deductions under section 68(b) of
 12.20 the Internal Revenue code; and

12.21 (20) the amount of the phase-out of personal exemptions under section 151(d) of the
 12.22 Internal Revenue Code.

12.23 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 12.24 beginning after December 31, 2012.

12.25 Sec. 6. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19c, is
 12.26 amended to read:

12.27 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
 12.28 there shall be added to federal taxable income:

12.29 (1) the amount of any deduction taken for federal income tax purposes for income,
 12.30 excise, or franchise taxes based on net income or related minimum taxes, including but not
 12.31 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
 12.32 another state, a political subdivision of another state, the District of Columbia, or any
 12.33 foreign country or possession of the United States;

12.34 (2) interest not subject to federal tax upon obligations of: the United States, its
 12.35 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other

13.1 state, any of its political or governmental subdivisions, any of its municipalities, or any
13.2 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
13.3 tribal governments;

13.4 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
13.5 Revenue Code;

13.6 (4) the amount of any net operating loss deduction taken for federal income tax
13.7 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
13.8 deduction under section 810 of the Internal Revenue Code;

13.9 (5) the amount of any special deductions taken for federal income tax purposes
13.10 under sections 241 to 247 and 965 of the Internal Revenue Code;

13.11 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
13.12 clause (a), that are not subject to Minnesota income tax;

13.13 (7) the amount of any capital losses deducted for federal income tax purposes under
13.14 sections 1211 and 1212 of the Internal Revenue Code;

13.15 (8) the amount of percentage depletion deducted under sections 611 through 614 and
13.16 291 of the Internal Revenue Code;

13.17 (9) for certified pollution control facilities placed in service in a taxable year
13.18 beginning before December 31, 1986, and for which amortization deductions were elected
13.19 under section 169 of the Internal Revenue Code of 1954, as amended through December
13.20 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
13.21 income for those facilities;

13.22 (10) the amount of a partner's pro rata share of net income which does not flow
13.23 through to the partner because the partnership elected to pay the tax on the income under
13.24 section 6242(a)(2) of the Internal Revenue Code;

13.25 (11) any increase in subpart F income, as defined in section 952(a) of the Internal
13.26 Revenue Code, for the taxable year when subpart F income is calculated without regard to
13.27 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

13.28 (12) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
13.29 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
13.30 has an activity that in the taxable year generates a deduction for depreciation under
13.31 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
13.32 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
13.33 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
13.34 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
13.35 amount of the loss from the activity that is not allowed in the taxable year. In succeeding

14.1 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
 14.2 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

14.3 (13) 80 percent of the amount by which the deduction allowed by section 179 of the
 14.4 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
 14.5 Revenue Code of 1986, as amended through December 31, 2003;

14.6 (14) to the extent deducted in computing federal taxable income, the amount of the
 14.7 deduction allowable under section 199 of the Internal Revenue Code;

14.8 (15) the amount of expenses disallowed under section 290.10, subdivision 2; ~~and~~

14.9 (16) discharge of indebtedness income resulting from reacquisition of business
 14.10 indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

14.11 (17) for taxable years beginning after December 31, 2012, and before January
 14.12 1, 2014, to the extent excluded from federal taxable income, dividends of regulated
 14.13 investment companies exempt under section 871(k) of the Internal Revenue Code.

14.14 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 14.15 beginning after December 31, 2012.

14.16 Sec. 7. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision
 14.17 to read:

14.18 Subd. 29a. **State itemized deduction.** "State itemized deduction" means
 14.19 federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code,
 14.20 disregarding any limitation under section 68 of the Internal Revenue Code, and reduced
 14.21 by the amount of the addition required under subdivision 19a, clause (15).

14.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 14.23 beginning after December 31, 2012.

14.24 Sec. 8. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 31, is
 14.25 amended to read:

14.26 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for~~
 14.27 ~~taxable years beginning before January 1, 2012, and after December 31, 2012,~~ "Internal
 14.28 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April 14,~~
 14.29 ~~2011; and for taxable years beginning after December 31, 2011, and before January 1,~~
 14.30 ~~2013, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended~~
 14.31 ~~through~~ January 3, 2013. Internal Revenue Code also includes any uncodified provision in
 14.32 federal law that relates to provisions of the Internal Revenue Code that are incorporated
 14.33 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,

15.1 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as
15.2 amended through March 18, 2010.

15.3 **EFFECTIVE DATE.** This section is effective the day following final enactment,
15.4 except the changes incorporated by federal changes are effective retroactively at the same
15.5 time the changes were effective for federal purposes.

15.6 Sec. 9. Minnesota Statutes 2013 Supplement, section 290.06, subdivision 2c, is
15.7 amended to read:

15.8 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income
15.9 taxes imposed by this chapter upon married individuals filing joint returns and surviving
15.10 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
15.11 applying to their taxable net income the following schedule of rates:

- 15.12 (1) On the first \$35,480, 5.35 percent;
- 15.13 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;
- 15.14 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;
- 15.15 (4) On all over \$250,000, 9.85 percent.

15.16 Married individuals filing separate returns, estates, and trusts must compute their
15.17 income tax by applying the above rates to their taxable income, except that the income
15.18 brackets will be one-half of the above amounts.

15.19 (b) The income taxes imposed by this chapter upon unmarried individuals must be
15.20 computed by applying to taxable net income the following schedule of rates:

- 15.21 (1) On the first \$24,270, 5.35 percent;
- 15.22 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;
- 15.23 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;
- 15.24 (4) On all over \$150,000, 9.85 percent.

15.25 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying
15.26 as a head of household as defined in section 2(b) of the Internal Revenue Code must be
15.27 computed by applying to taxable net income the following schedule of rates:

- 15.28 (1) On the first \$29,880, 5.35 percent;
- 15.29 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;
- 15.30 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;
- 15.31 (4) On all over \$200,000, 9.85 percent.

15.32 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the
15.33 tax of any individual taxpayer whose taxable net income for the taxable year is less than
15.34 an amount determined by the commissioner must be computed in accordance with tables
15.35 prepared and issued by the commissioner of revenue based on income brackets of not

16.1 more than \$100. The amount of tax for each bracket shall be computed at the rates set
 16.2 forth in this subdivision, provided that the commissioner may disregard a fractional part of
 16.3 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

16.4 (e) An individual who is not a Minnesota resident for the entire year must compute
 16.5 the individual's Minnesota income tax as provided in this subdivision. After the
 16.6 application of the nonrefundable credits provided in this chapter, the tax liability must
 16.7 then be multiplied by a fraction in which:

16.8 (1) the numerator is the individual's Minnesota source federal adjusted gross income
 16.9 as defined in section 62 of the Internal Revenue Code and increased by the additions
 16.10 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), ~~(12), (13),~~
 16.11 ~~and (16) to (18)~~ (11) to (14), and (18) to (23), and reduced by the Minnesota assignable
 16.12 portion of the subtraction for United States government interest under section 290.01,
 16.13 subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b,
 16.14 clauses (8), (9), (13), (14), (16), and (17), after applying the allocation and assignability
 16.15 provisions of section 290.081, clause (a), or 290.17; and

16.16 (2) the denominator is the individual's federal adjusted gross income as defined in
 16.17 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
 16.18 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), ~~(12), (13), and (16) to~~
 16.19 ~~(18)~~ (11) to (14), and (18) to (23), and reduced by the amounts specified in section 290.01,
 16.20 subdivision 19b, clauses (1), (8), (9), (13), (14), (16), and (17).

16.21 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 16.22 beginning after December 31, 2012.

16.23 Sec. 10. Minnesota Statutes 2012, section 290.067, subdivision 2a, is amended to read:

16.24 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of
 16.25 the following:

16.26 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue
 16.27 Code; and

16.28 (2) the sum of the following amounts to the extent not included in clause (1):

16.29 (i) all nontaxable income;

16.30 (ii) the amount of a passive activity loss that is not disallowed as a result of section
 16.31 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity
 16.32 loss carryover allowed under section 469(b) of the Internal Revenue Code;

16.33 (iii) an amount equal to the total of any discharge of qualified farm indebtedness
 16.34 of a solvent individual excluded from gross income under section 108(g) of the Internal
 16.35 Revenue Code;

- 17.1 (iv) cash public assistance and relief;
- 17.2 (v) any pension or annuity (including railroad retirement benefits, all payments
17.3 received under the federal Social Security Act, supplemental security income, and veterans
17.4 benefits), which was not exclusively funded by the claimant or spouse, or which was
17.5 funded exclusively by the claimant or spouse and which funding payments were excluded
17.6 from federal adjusted gross income in the years when the payments were made;
- 17.7 (vi) interest received from the federal or a state government or any instrumentality
17.8 or political subdivision thereof;
- 17.9 (vii) workers' compensation;
- 17.10 (viii) nontaxable strike benefits;
- 17.11 (ix) the gross amounts of payments received in the nature of disability income or
17.12 sick pay as a result of accident, sickness, or other disability, whether funded through
17.13 insurance or otherwise;
- 17.14 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
17.15 1986, as amended through December 31, 1995;
- 17.16 (xi) contributions made by the claimant to an individual retirement account,
17.17 including a qualified voluntary employee contribution; simplified employee pension plan;
17.18 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
17.19 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
17.20 Internal Revenue Code;
- 17.21 (xii) nontaxable scholarship or fellowship grants;
- 17.22 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue
17.23 Code;
- 17.24 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal
17.25 Revenue Code;
- 17.26 (xv) the amount of deducted for tuition expenses ~~required to be added to income~~
17.27 ~~under section 290.01, subdivision 19a, clause (12) under section 222 of the Internal~~
17.28 Revenue Code; and
- 17.29 (xvi) the amount deducted for certain expenses of elementary and secondary school
17.30 teachers under section 62(a)(2)(D) of the Internal Revenue Code; ~~and~~;
- 17.31 ~~(xvii) unemployment compensation.~~

17.32 In the case of an individual who files an income tax return on a fiscal year basis, the
17.33 term "federal adjusted gross income" means federal adjusted gross income reflected in the
17.34 fiscal year ending in the next calendar year. Federal adjusted gross income may not be
17.35 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
17.36 carryback or carryforward allowed for the year.

- 18.1 (b) "Income" does not include:
- 18.2 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- 18.3 (2) amounts of any pension or annuity that were exclusively funded by the claimant
- 18.4 or spouse if the funding payments were not excluded from federal adjusted gross income
- 18.5 in the years when the payments were made;
- 18.6 (3) surplus food or other relief in kind supplied by a governmental agency;
- 18.7 (4) relief granted under chapter 290A;
- 18.8 (5) child support payments received under a temporary or final decree of dissolution
- 18.9 or legal separation; and
- 18.10 (6) restitution payments received by eligible individuals and excludable interest as
- 18.11 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of
- 18.12 2001, Public Law 107-16.

18.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years

18.14 beginning after December 31, 2012.

18.15 Sec. 11. Minnesota Statutes 2012, section 290.0671, subdivision 1, is amended to read:

18.16 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax

18.17 imposed by this chapter equal to a percentage of earned income. To receive a credit, a

18.18 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

18.19 (b) For individuals with no qualifying children, the credit equals 1.9125 percent of

18.20 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned

18.21 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no

18.22 case is the credit less than zero.

18.23 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first

18.24 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than

18.25 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,

18.26 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

18.27 (d) For individuals with two or more qualifying children, the credit equals ten percent

18.28 of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less

18.29 than \$16,800. The credit is reduced by 10.3 percent of earned income or adjusted gross

18.30 income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

18.31 (e) For a nonresident or part-year resident, the credit must be allocated based on the

18.32 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

18.33 (f) For a person who was a resident for the entire tax year and has earned income

18.34 not subject to tax under this chapter, including income excluded under section 290.01,

18.35 subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal

19.1 adjusted gross income reduced by the earned income not subject to tax under this chapter
19.2 over federal adjusted gross income. For purposes of this paragraph, the subtractions
19.3 for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not
19.4 considered "earned income not subject to tax under this chapter."

19.5 For the purposes of this paragraph, the exclusion of combat pay under section 112
19.6 of the Internal Revenue Code is not considered "earned income not subject to tax under
19.7 this chapter."

19.8 (g) For tax years beginning after December 31, 2007, and before December 31,
19.9 2010, and for tax years beginning after December 31, 2017, the \$5,770 in paragraph (b),
19.10 the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for
19.11 inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint
19.12 returns. For tax years beginning after December 31, 2008, the commissioner shall annually
19.13 adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f)
19.14 of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be
19.15 substituted for the word "1992." For 2009, the commissioner shall then determine the
19.16 percent change from the 12 months ending on August 31, 2007, to the 12 months ending on
19.17 August 31, 2008, and in each subsequent year, from the 12 months ending on August 31,
19.18 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The
19.19 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the
19.20 amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the
19.21 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

19.22 (h) For tax years beginning after December 31, 2010, and before January 1, 2012,
19.23 and for tax years beginning after December 31, 2013, and before January 1, 2018, the
19.24 \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph
19.25 (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000
19.26 for married taxpayers filing joint returns. For tax years beginning after December 31,
19.27 2010, and before January 1, 2012, and for tax years beginning after December 31, 2013,
19.28 and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the
19.29 percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue
19.30 Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word
19.31 "1992." For 2011, the commissioner shall then determine the percent change from the 12
19.32 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in
19.33 each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months
19.34 ending on August 31 of the year preceding the taxable year. The earned income thresholds
19.35 as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the

20.1 amount is rounded up to the nearest \$10. The determination of the commissioner under
 20.2 this subdivision is not a rule under the Administrative Procedure Act.

20.3 (i) The commissioner shall construct tables showing the amount of the credit at
 20.4 various income levels and make them available to taxpayers. The tables shall follow
 20.5 the schedule contained in this subdivision, except that the commissioner may graduate
 20.6 the transition between income brackets.

20.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 20.8 December 31, 2013.

20.9 Sec. 12. Minnesota Statutes 2012, section 290.0675, subdivision 1, is amended to read:

20.10 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
 20.11 have the meanings given.

20.12 (b) "Earned income" means the sum of the following, to the extent included in
 20.13 Minnesota taxable income:

20.14 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

20.15 (2) income received from a retirement pension, profit-sharing, stock bonus, or
 20.16 annuity plan; and

20.17 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue
 20.18 Code.

20.19 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

20.20 (d) "Earned income of lesser-earning spouse" means the earned income of the spouse
 20.21 with the lesser amount of earned income as defined in paragraph (b) for the taxable year
 20.22 minus the sum of (i) the amount for one exemption under section 151(d) of the Internal
 20.23 Revenue Code and (ii) one-half the amount of the standard deduction under section
 20.24 63(c)(2)(A) and (4) of the Internal Revenue Code minus one-half of any addition required
 20.25 under section 290.01, subdivision 19a, clause ~~(21)~~ (17), and one-half of the addition that
 20.26 would have been required under section 290.01, subdivision 19a, clause ~~(21)~~ (17), if the
 20.27 taxpayer had claimed the standard deduction.

20.28 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 20.29 beginning after December 31, 2012.

20.30 Sec. 13. Minnesota Statutes 2013 Supplement, section 290.091, subdivision 2, is
 20.31 amended to read:

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

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

21.3 (1) the taxpayer's federal alternative minimum taxable income as defined in section
 21.4 55(b)(2) of the Internal Revenue Code;

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

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

21.9 (ii) the medical expense deduction;

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

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

21.12 (3) for depletion allowances computed under section 613A(c) of the Internal
 21.13 Revenue Code, with respect to each property (as defined in section 614 of the Internal
 21.14 Revenue Code), to the extent not included in federal alternative minimum taxable income,
 21.15 the excess of the deduction for depletion allowable under section 611 of the Internal
 21.16 Revenue Code for the taxable year over the adjusted basis of the property at the end of the
 21.17 taxable year (determined without regard to the depletion deduction for the taxable year);

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

21.21 (5) to the extent not included in federal alternative minimum taxable income, the
 21.22 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

21.23 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)
 21.24 to (9), ~~(12), (13), and (16) to (18)~~ (11) to (14), and (18) to (23);

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

21.26 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

21.27 (2) an overpayment of state income tax as provided by section 290.01, subdivision
 21.28 19b, clause (2), to the extent included in federal alternative minimum taxable income;

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

21.33 (4) amounts subtracted from federal taxable income as provided by section 290.01,
 21.34 subdivision 19b, clauses (6), (8) to (14), and (16); and

21.35 (5) the amount of the net operating loss allowed under section 290.095, subdivision
 21.36 11, paragraph (c).

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

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

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

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

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

22.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
22.12 beginning after December 31, 2012.

22.13 Sec. 14. Minnesota Statutes 2013 Supplement, section 290.0921, subdivision 3,
22.14 is amended to read:

22.15 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable
22.16 income" is Minnesota net income as defined in section 290.01, subdivision 19, and
22.17 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),
22.18 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company
22.19 Minnesota tax return, the minimum tax must be computed on a separate company basis.
22.20 If a corporation is part of a tax group filing a unitary return, the minimum tax must be
22.21 computed on a unitary basis. The following adjustments must be made.

22.22 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
22.23 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
22.24 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
22.25 income tax purposes, including any modification made in a taxable year under section
22.26 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
22.27 paragraph (c).

22.28 For taxable years beginning after December 31, 2000, the amount of any remaining
22.29 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,
22.30 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation
22.31 allowance in the first taxable year after December 31, 2000.

22.32 (2) The portion of the depreciation deduction allowed for federal income tax
22.33 purposes under section 168(k) of the Internal Revenue Code that is required as an
22.34 addition under section 290.01, subdivision 19c, clause (12), is disallowed in determining
22.35 alternative minimum taxable income.

23.1 (3) The subtraction for depreciation allowed under section 290.01, subdivision 19d,
23.2 clause (15), is allowed as a depreciation deduction in determining alternative minimum
23.3 taxable income.

23.4 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)
23.5 of the Internal Revenue Code does not apply.

23.6 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal
23.7 Revenue Code does not apply.

23.8 (6) The tax preference for depletion under section 57(a)(1) of the Internal Revenue
23.9 Code does not apply.

23.10 (7) The tax preference for intangible drilling costs under section 57(a)(2) of the
23.11 Internal Revenue Code must be calculated without regard to subparagraph (E) and the
23.12 subtraction under section 290.01, subdivision 19d, clause (4).

23.13 (8) The tax preference for tax exempt interest under section 57(a)(5) of the Internal
23.14 Revenue Code does not apply.

23.15 (9) The tax preference for charitable contributions of appreciated property under
23.16 section 57(a)(6) of the Internal Revenue Code does not apply.

23.17 (10) For purposes of calculating the tax preference for accelerated depreciation or
23.18 amortization on certain property placed in service before January 1, 1987, under section
23.19 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
23.20 deduction allowed under section 290.01, subdivision 19e.

23.21 For taxable years beginning after December 31, 2000, the amount of any remaining
23.22 modification made under section 290.01, subdivision 19e, not previously deducted is a
23.23 depreciation or amortization allowance in the first taxable year after December 31, 2004.

23.24 (11) For purposes of calculating the adjustment for adjusted current earnings in
23.25 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable
23.26 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative
23.27 minimum taxable income as defined in this subdivision, determined without regard to the
23.28 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

23.29 (12) For purposes of determining the amount of adjusted current earnings under
23.30 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section
23.31 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend
23.32 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), or (ii) the
23.33 amount of refunds of income, excise, or franchise taxes subtracted as provided in section
23.34 290.01, subdivision 19d, clause (9).

23.35 (13) The extension of RIC qualified investment entity treatment under FIRTPA as
23.36 provided in section 871(k) of the Internal Revenue Code does not apply.

24.1 ~~(13)~~ (14) Alternative minimum taxable income excludes the income from operating
 24.2 in a job opportunity building zone as provided under section 469.317.

24.3 ~~(14)~~ (15) Alternative minimum taxable income excludes the income from operating
 24.4 in a biotechnology and health sciences industry zone as provided under section 469.337.

24.5 Items of tax preference must not be reduced below zero as a result of the
 24.6 modifications in this subdivision.

24.7 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 24.8 beginning after December 31, 2012.

24.9 Sec. 15. Minnesota Statutes 2013 Supplement, section 290A.03, subdivision 15,
 24.10 is amended to read:

24.11 Subd. 15. **Internal Revenue Code.** For taxable years beginning before January 1,
 24.12 2012, and after December 31, 2012, "Internal Revenue Code" means the Internal Revenue
 24.13 Code of 1986, as amended through April 14, 2011; and for taxable years beginning after
 24.14 December 31, 2011, and before January 1, 2013, "Internal Revenue Code" means the
 24.15 Internal Revenue Code of 1986, as amended through January 3, 2013.

24.16 **EFFECTIVE DATE.** This section is effective retroactively for property tax refunds
 24.17 based on property taxes payable after December 31, 2013, and rent paid after December
 24.18 31, 2012.

24.19 Sec. 16. **INDIVIDUAL INCOME TAX COLLECTION ACTION PROHIBITED.**

24.20 Notwithstanding any law to the contrary, the commissioner shall not increase the
 24.21 amount due or decrease the refund for an individual income tax return for the taxable year
 24.22 beginning after December 31, 2012, and before January 1, 2014, to the extent the amount
 24.23 due was understated or the refund was overstated because the taxpayer recalculated federal
 24.24 adjusted gross income and deductions, exclusions, or other items that are determined
 24.25 relative to federal adjusted gross income in accordance with forms and instructions
 24.26 provided by the commissioner.

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