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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 5122

03/21/2024 Authored by Jacob and Altendorf
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; property; modifying the definition of income for purposes of
1.3 the property tax refund; amending Minnesota Statutes 2023 Supplement, section
1.4 290A.03, subdivision 3.

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

1.6 Section 1. Minnesota Statutes 2023 Supplement, section 290A.03, subdivision 3, is
1.7 amended to read:

1.8 Subd. 3. Income. (a) "Income" means the sum of the following:

1.9 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

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

1.11 (i) all nontaxable income;

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

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

1.18 (iv) cash public assistance and relief;

1.19 (v) any pension or annuity (including railroad retirement benefits, all payments received
1.20 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),
1.21 which was not exclusively funded by the claimant or spouse, or which was funded exclusively

2.1 by the claimant or spouse and which funding payments were excluded from federal adjusted  
2.2 gross income in the years when the payments were made;

2.3 (vi) interest received from the federal or a state government or any instrumentality or  
2.4 political subdivision thereof;

2.5 (vii) workers' compensation;

2.6 (viii) nontaxable strike benefits;

2.7 (ix) the gross amounts of payments received in the nature of disability income or sick  
2.8 pay as a result of accident, sickness, or other disability, whether funded through insurance  
2.9 or otherwise;

2.10 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
2.11 1986, as amended through December 31, 1995;

2.12 (xi) contributions made by the claimant to an individual retirement account, including  
2.13 a qualified voluntary employee contribution; simplified employee pension plan;  
2.14 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
2.15 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
2.16 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
2.17 the claimant and spouse;

2.18 (xii) to the extent not included in federal adjusted gross income, distributions received  
2.19 by the claimant or spouse from a traditional or ~~Roth~~-style retirement account or plan;

2.20 (xiii) nontaxable scholarship or fellowship grants;

2.21 (xiv) alimony received to the extent not included in the recipient's income;

2.22 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
2.23 Code;

2.24 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
2.25 Code; and

2.26 (xvii) the amount deducted for certain expenses of elementary and secondary school  
2.27 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

2.28 In the case of an individual who files an income tax return on a fiscal year basis, the  
2.29 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in  
2.30 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced  
2.31 by the amount of a net operating loss carryback or carryforward or a capital loss carryback  
2.32 or carryforward allowed for the year.

3.1 (b) "Income" does not include:

3.2 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

3.3 (2) amounts of any pension or annuity which was exclusively funded by the claimant  
3.4 or spouse and which funding payments were not excluded from federal adjusted gross  
3.5 income in the years when the payments were made;

3.6 (3) to the extent included in federal adjusted gross income, amounts contributed by the  
3.7 claimant or spouse to a traditional retirement account or plan or Roth style retirement account  
3.8 or plan, but not to exceed the retirement base amount reduced by the amount of contributions  
3.9 excluded from federal adjusted gross income, but not less than zero;

3.10 (4) surplus food or other relief in kind supplied by a governmental agency;

3.11 (5) relief granted under this chapter;

3.12 (6) child support payments received under a temporary or final decree of dissolution or  
3.13 legal separation;

3.14 (7) restitution payments received by eligible individuals and excludable interest as  
3.15 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
3.16 Public Law 107-16;

3.17 (8) alimony paid; ~~or~~

3.18 (9) veterans disability compensation paid under title 38 of the United States Code; or

3.19 (10) to the extent not included in federal adjusted gross income, distributions received  
3.20 by the claimant or spouse from a Roth style retirement account or plan.

3.21 (c) The sum of the following amounts may be subtracted from income:

3.22 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

3.23 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

3.24 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

3.25 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

3.26 (5) for the claimant's fifth dependent, the exemption amount; and

3.27 (6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or  
3.28 before December 31 of the year for which the taxes were levied, the exemption amount.

3.29 (d) For purposes of this subdivision, the following terms have the meanings given:

4.1 (1) "exemption amount" means the exemption amount under section 290.0121,  
4.2 subdivision 1, paragraph (b), for the taxable year for which the income is reported;

4.3 (2) "retirement base amount" means the deductible amount for the taxable year for the  
4.4 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for  
4.5 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard  
4.6 to whether the claimant or spouse claimed a deduction; ~~and~~

4.7 (3) "~~traditional or Roth style~~ retirement account or plan" means retirement plans under  
4.8 sections 401, 403, 408, ~~408A~~, and 457 of the Internal Revenue Code; and

4.9 (4) "Roth style retirement account or plan" means a retirement plan under section 408A  
4.10 of the Internal Revenue Code or a designated Roth contribution in a separate account in a  
4.11 retirement plan under sections 401, 403, and 457 of the Internal Revenue Code.

4.12 **EFFECTIVE DATE.** This section is effective for claims based on property taxes payable  
4.13 in 2024 and following years.