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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **1768**

03/12/2015 Authored by Isaacson and Lien

The bill was read for the first time and referred to the Committee on Aging and Long-Term Care Policy

03/19/2015 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; increasing the income tax exclusion for the elderly and
1.3 disabled; allowing a second exemption for certain property tax refund claimants;
1.4 amending Minnesota Statutes 2014, sections 290.0802, subdivision 2; 290A.03,
1.5 subdivision 3.

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

1.7 Section 1. Minnesota Statutes 2014, section 290.0802, subdivision 2, is amended to read:

1.8 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal
1.9 taxable income of the individual's subtraction base amount. The excess of the subtraction
1.10 base amount over the taxable net income computed without regard to the subtraction for
1.11 the elderly or disabled under section 290.01, subdivision 19b, clause (4), may be used to
1.12 reduce the amount of a lump sum distribution subject to tax under section 290.032.

1.13 (b)(1) The initial subtraction base amount equals

1.14 (i) ~~\$12,000~~ \$20,000 for a married taxpayer filing a joint return if a spouse is a
1.15 qualified individual,

1.16 (ii) ~~\$9,600~~ \$16,000 for a single taxpayer, and

1.17 (iii) ~~\$6,000~~ \$10,000 for a married taxpayer filing a separate federal return.

1.18 (2) The qualified individual's initial subtraction base amount, then, must be reduced
1.19 by the sum of nontaxable retirement and disability benefits and one-half of the amount of
1.20 adjusted gross income in excess of the following thresholds:

1.21 (i) ~~\$18,000~~ \$30,000 for a married taxpayer filing a joint return if both spouses are
1.22 qualified individuals,

1.23 (ii) ~~\$14,500~~ \$24,000 for a single taxpayer or for a married couple filing a joint return
1.24 if only one spouse is a qualified individual, and

1.25 (iii) ~~\$9,000~~ \$15,000 for a married taxpayer filing a separate federal return.

2.1 (3) In the case of a qualified individual who is under the age of 65, the maximum
2.2 amount of the subtraction base may not exceed the taxpayer's disability income.

2.3 (4) The resulting amount is the subtraction base amount.

2.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.5 December 31, 2014.

2.6 Sec. 2. Minnesota Statutes 2014, section 290A.03, subdivision 3, is amended to read:

2.7 Subd. 3. **Income.** (1) "Income" means the sum of the following:

2.8 (a) federal adjusted gross income as defined in the Internal Revenue Code; and

2.9 (b) the sum of the following amounts to the extent not included in clause (a):

2.10 (i) all nontaxable income;

2.11 (ii) the amount of a passive activity loss that is not disallowed as a result of section
2.12 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity
2.13 loss carryover allowed under section 469(b) of the Internal Revenue Code;

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

2.17 (iv) cash public assistance and relief;

2.18 (v) any pension or annuity (including railroad retirement benefits, all payments
2.19 received under the federal Social Security Act, Supplemental Security Income, and
2.20 veterans benefits), which was not exclusively funded by the claimant or spouse, or which
2.21 was funded exclusively by the claimant or spouse and which funding payments were
2.22 excluded from federal adjusted gross income in the years when the payments were made;

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

2.25 (vii) workers' compensation;

2.26 (viii) nontaxable strike benefits;

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

2.30 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
2.31 1986, as amended through December 31, 1995;

2.32 (xi) contributions made by the claimant to an individual retirement account,
2.33 including a qualified voluntary employee contribution; simplified employee pension plan;
2.34 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
2.35 of the Internal Revenue Code; or deferred compensation plan under section 457 of the

3.1 Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base
3.2 amount for the claimant and spouse;

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

3.5 (xiii) nontaxable scholarship or fellowship grants;

3.6 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue
3.7 Code;

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

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

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

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

3.19 (2) "Income" does not include:

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

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

3.24 (c) to the extent included in federal adjusted gross income, amounts contributed by
3.25 the claimant or spouse to a traditional or Roth style retirement account or plan, but not
3.26 to exceed the retirement base amount reduced by the amount of contributions excluded
3.27 from federal adjusted gross income, but not less than zero;

3.28 (d) surplus food or other relief in kind supplied by a governmental agency;

3.29 (e) relief granted under this chapter;

3.30 (f) child support payments received under a temporary or final decree of dissolution
3.31 or legal separation; or

3.32 (g) restitution payments received by eligible individuals and excludable interest as
3.33 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of
3.34 2001, Public Law 107-16.

3.35 (3) The sum of the following amounts may be subtracted from income:

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

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

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

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

4.4 (e) for the claimant's fifth dependent, the exemption amount; ~~and~~

4.5 (f) if the claimant ~~or claimant's spouse~~ was disabled or attained the age of 65

4.6 on or before December 31 of the year for which the taxes were levied or rent paid, the

4.7 exemption amount; and

4.8 (g) if the claimant's spouse was disabled or attained the age of 65 on or before

4.9 December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

4.10 For purposes of this subdivision, the "exemption amount" means the exemption

4.11 amount under section 151(d) of the Internal Revenue Code for the taxable year for which

4.12 the income is reported; "retirement base amount" means the deductible amount for the

4.13 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal

4.14 Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal

4.15 Revenue Code, without regard to whether the claimant or spouse claimed a deduction;

4.16 and "traditional or Roth style retirement account or plan" means retirement plans under

4.17 sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

4.18 **EFFECTIVE DATE.** This section is effective beginning for refunds based on

4.19 taxes payable in 2016 and rent paid in 2015.