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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 167

02/10/2025 Authored by Robbins, Davids, Joy, Harder, Warwas 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 and property tax refunds; allowing an
1.3 unlimited Social Security subtraction; modifying individual income tax rates;
1.4 modifying property tax refunds; amending Minnesota Statutes 2024, sections
1.5 290.0132, subdivision 26; 290.06, subdivisions 2c, 2d; 290A.04, subdivisions 2,
1.6 4.

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

1.8 Section 1. Minnesota Statutes 2024, section 290.0132, subdivision 26, is amended to read:

1.9 Subd. 26. Social Security benefits. (a) A taxpayer is allowed a subtraction equal to the
1.10 greater of the simplified subtraction allowed under paragraph (b) or the alternate subtraction
1.11 determined under paragraph (c).

1.12 (b) A taxpayer's simplified subtraction equals the amount of taxable social security
1.13 benefits, as reduced under paragraphs (c) and (d).

1.14 (c) For a taxpayer other than a married taxpayer filing a separate return with adjusted
1.15 gross income above the phaseout threshold, the simplified subtraction is reduced by ten
1.16 percent for each \$4,000 of adjusted gross income, or fraction thereof, in excess of the
1.17 phaseout threshold. The phaseout threshold equals:

- 1.18 (1) \$100,000 for a married taxpayer filing a joint return or surviving spouse;
1.19 (2) \$78,000 for a single or head of household taxpayer; and
1.20 (3) for a married taxpayer filing a separate return, half the amount for a married taxpayer
1.21 filing a joint return.

2.1 ~~(d) For a married taxpayer filing a separate return, the simplified subtraction is reduced~~
 2.2 ~~by ten percent for each \$2,000 of adjusted gross income, or fraction thereof, in excess of~~
 2.3 ~~the phaseout threshold.~~

2.4 ~~(e) A taxpayer's alternate subtraction equals the lesser of taxable Social Security benefits~~
 2.5 ~~or a maximum subtraction subject to the limits under paragraphs (f), (g), and (h).~~

2.6 ~~(f) For married taxpayers filing a joint return and surviving spouses, the maximum~~
 2.7 ~~subtraction under paragraph (e) equals \$5,840. The maximum subtraction is reduced by 20~~
 2.8 ~~percent of provisional income over \$88,630. In no case is the subtraction less than zero.~~

2.9 ~~(g) For single or head-of-household taxpayers, the maximum subtraction under paragraph~~
 2.10 ~~(e) equals \$4,560. The maximum subtraction is reduced by 20 percent of provisional income~~
 2.11 ~~over \$69,250. In no case is the subtraction less than zero.~~

2.12 ~~(h) For married taxpayers filing separate returns, the maximum subtraction under~~
 2.13 ~~paragraph (e) equals one-half the maximum subtraction for joint returns under paragraph~~
 2.14 ~~(f). The maximum subtraction is reduced by 20 percent of provisional income over one-half~~
 2.15 ~~the threshold amount specified in paragraph (d). In no case is the subtraction less than zero.~~

2.16 ~~(i) For purposes of this subdivision, "provisional income" means modified adjusted gross~~
 2.17 ~~income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the~~
 2.18 ~~taxable Social Security benefits received during the taxable year, and "Social Security~~
 2.19 ~~benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.~~

2.20 ~~(j) The commissioner shall adjust the phaseout threshold amounts in paragraphs (e) and~~
 2.21 ~~(d) as provided in section 270C.22. The statutory year is taxable year 2023. The maximum~~
 2.22 ~~subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount.~~
 2.23 ~~If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.~~

2.24 (a) The amount of Social Security benefits received is a subtraction.

2.25 (b) "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal
 2.26 Revenue Code.

2.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.28 31, 2024.

2.29 Sec. 2. Minnesota Statutes 2024, section 290.06, subdivision 2c, is amended to read:

2.30 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes
 2.31 imposed by this chapter upon married individuals filing joint returns and surviving spouses

3.1 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to
3.2 their taxable net income the following schedule of rates:

3.3 (1) On the first ~~\$38,770~~ \$47,620, ~~5.35~~ 2.8 percent;

3.4 (2) On all over ~~\$38,770~~ \$47,620, but not over ~~\$154,020~~ \$189,180, 6.8 percent;

3.5 (3) On all over ~~\$154,020~~ \$189,180, but not over ~~\$269,010~~ \$330,410, 7.85 percent;

3.6 (4) On all over ~~\$269,010~~ \$330,410, 9.85 percent.

3.7 Married individuals filing separate returns, estates, and trusts must compute their income
3.8 tax by applying the above rates to their taxable income, except that the income brackets
3.9 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

3.12 (1) On the first ~~\$26,520~~ \$47,620, ~~5.35~~ 2.8 percent;

3.13 (2) On all over ~~\$26,520~~ \$47,620, but not over ~~\$87,110~~ \$189,180, 6.8 percent;

3.14 (3) On all over ~~\$87,110~~ \$189,180, but not over ~~\$161,720~~ \$330,410, 7.85 percent;

3.15 (4) On all over ~~\$161,720~~ \$330,410, 9.85 percent.

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

3.19 (1) On the first ~~\$32,650~~ \$47,620, ~~5.35~~ 2.1 percent;

3.20 (2) On all over ~~\$32,650~~ \$47,620, but not over ~~\$131,190~~ \$189,180, 6.8 percent;

3.21 (3) On all over ~~\$131,190~~ \$189,180, but not over ~~\$214,980~~ \$330,410, 7.85 percent;

3.22 (4) On all over ~~\$214,980~~ \$330,410, 9.85 percent.

3.23 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
3.24 of any individual taxpayer whose taxable net income for the taxable year is less than an
3.25 amount determined by the commissioner must be computed in accordance with tables
3.26 prepared and issued by the commissioner of revenue based on income brackets of not more
3.27 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
3.28 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
3.29 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

4.5 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
4.6 defined in section 62 of the Internal Revenue Code and increased by:

4.7 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,
4.8 and 20, and 290.0137, paragraph (a); and reduced by

4.9 (ii) the Minnesota assignable portion of the subtraction for United States government
4.10 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,
4.11 subdivisions 9, 10, 14, 15, 17, 18, 27, 31, and 32, and 290.0137, paragraph (c), after applying
4.12 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

4.13 (2) the denominator is the individual's federal adjusted gross income as defined in section
4.14 62 of the Internal Revenue Code, increased by:

4.15 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,
4.16 and 20, and 290.0137, paragraph (a); and reduced by

4.17 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, 27,
4.18 31, and 32, and 290.0137, paragraph (c).

4.19 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
4.20 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision
4.21 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
4.22 provided in paragraph (e), and also must include, to the extent attributed to the electing
4.23 qualifying entity:

4.24 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the
4.25 addition under section 290.0131, subdivision 5; and

4.26 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the
4.27 subtraction under section 290.0132, subdivision 3.

4.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.29 31, 2024.

4.30 Sec. 3. Minnesota Statutes 2024, section 290.06, subdivision 2d, is amended to read:

4.31 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust
4.32 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed

5.1 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~
 5.2 2025. The rate applicable to any rate bracket must not be changed. The dollar amounts
 5.3 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
 5.4 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
 5.5 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the
 5.6 rate bracket for married filing separate returns after this adjustment is done. The rate bracket
 5.7 for married filing separate must be one-half of the rate bracket for married filing joint.

5.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 5.9 31, 2025.

5.10 Sec. 4. Minnesota Statutes 2024, section 290A.04, subdivision 2, is amended to read:

5.11 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes
 5.12 payable are in excess of the percentage of the household income stated below shall pay an
 5.13 amount equal to the percent of income shown for the appropriate household income level
 5.14 along with the percent to be paid by the claimant of the remaining amount of property taxes
 5.15 payable. The state refund equals the amount of property taxes payable that remain, up to
 5.16 the state refund amount shown below.

5.17			Percent Paid by	Maximum
5.18	Household Income	Percent of Income	Claimant	State
5.19				Refund
5.20				3,310
5.21	\$0 to 2,079 <u>2,139</u>	1.0 percent	12 <u>10</u> percent	\$ <u>3,910</u>
5.22	2,080 to 4,139			3,310
5.23	<u>2,140 to 4,259</u>	1.1 percent	12 <u>10</u> percent	\$ <u>3,910</u>
5.24	4,140 to 6,269			3,310
5.25	<u>4,260 to 6,449</u>	1.2 percent	12 <u>10</u> percent	\$ <u>3,910</u>
5.26	6,270 to 8,369			3,310
5.27	<u>6,450 to 8,609</u>	1.3 percent	17 <u>15</u> percent	\$ <u>3,910</u>
5.28	8,370 to 10,439			3,310
5.29	<u>8,610 to 10,739</u>	1.4 percent	17 <u>15</u> percent	\$ <u>3,910</u>
5.30	10,440 to 14,619			3,310
5.31	<u>10,740 to 15,039</u>	1.5 percent	17 <u>15</u> percent	\$ <u>3,910</u>
5.32	14,620 to 16,689			3,310
5.33	<u>15,040 to 17,169</u>	1.6 percent	17 <u>15</u> percent	\$ <u>3,910</u>
5.34	16,690 to 18,799			3,310
5.35	<u>17,170 to 19,339</u>	1.7 percent	17 <u>15</u> percent	\$ <u>3,910</u>
5.36	18,800 to 20,879			3,310
5.37	<u>19,340 to 21,479</u>	1.8 percent	17 <u>15</u> percent	\$ <u>3,910</u>
5.38	20,880 to 22,949			3,310
5.39	<u>21,480 to 23,609</u>	1.9 percent	22 <u>20</u> percent	\$ <u>3,910</u>

6.1	22,950 to 29,239			3,310
6.2	<u>23,610 to 30,079</u>	2.0 percent	22 <u>20</u> percent	\$ <u>3,910</u>
6.3	29,240 to 31,319			3,310
6.4	<u>30,080 to 32,219</u>	2.0 percent	27 <u>25</u> percent	\$ <u>3,910</u>
6.5	31,320 to 35,509			3,310
6.6	<u>32,220 to 36,529</u>	2.0 percent	27 <u>25</u> percent	\$ <u>3,910</u>
6.7	35,510 to 50,099			3,310
6.8	<u>36,530 to 51,549</u>	2.0 percent	32 <u>30</u> percent	\$ <u>3,910</u>
6.9	50,100 to 73,059			2,680
6.10	<u>51,550 to 75,169</u>	2.0 percent	32 <u>30</u> percent	\$ <u>3,260</u>
6.11	73,060 to 83,499			2,350
6.12	<u>75,170 to 85,909</u>	2.0 percent	37 <u>35</u> percent	\$ <u>2,920</u>
6.13	83,500 to 93,939			1,940
6.14	<u>85,910 to 96,649</u>	2.1 percent	37 <u>35</u> percent	\$ <u>2,500</u>
6.15	93,940 to 104,379			1,740
6.16	<u>96,650 to 107,389</u>	2.2 percent	37 <u>35</u> percent	\$ <u>2,290</u>
6.17	104,380 to 114,819			1,520
6.18	<u>107,390 to 118,129</u>	2.3 percent	37 <u>35</u> percent	\$ <u>2,060</u>
6.19	114,820 to 121,089			1,280
6.20	<u>118,130 to 124,579</u>	2.4 percent	42 <u>40</u> percent	\$ <u>1,820</u>
6.21	121,090 to 125,289			1,070
6.22	<u>124,580 to 128,909</u>	2.5 percent	42 <u>40</u> percent	\$ <u>1,600</u>
6.23	125,290 to 130,349			870
6.24	<u>128,910 to 134,109</u>	2.5 percent	47 <u>45</u> percent	\$ <u>1,400</u>
6.25	130,350 to 135,409			650
6.26	<u>134,110 to 139,319</u>	2.5 percent	47 <u>45</u> percent	\$ <u>1,170</u>
6.27	<u>139,320 to 147,499</u>	<u>2.5 percent</u>	<u>50 percent</u>	\$ <u>750</u>
6.28	<u>147,500 to 155,000</u>	<u>2.5 percent</u>	<u>50 percent</u>	\$ <u>250</u>

6.29 The payment made to a claimant shall be the amount of the state refund calculated under
6.30 this subdivision. No payment is allowed if the claimant's household income is \$135,410 or
6.31 more.

6.32 **EFFECTIVE DATE.** This section is effective beginning with refunds based on property
6.33 taxes payable in 2026.

6.34 Sec. 5. Minnesota Statutes 2024, section 290A.04, subdivision 4, is amended to read:

6.35 Subd. 4. **Inflation adjustment.** The commissioner shall annually adjust the dollar
6.36 amounts of the income thresholds and the maximum refunds under subdivision 2 as provided
6.37 in section 270C.22. The statutory year is ~~2023~~ 2025.

6.38 **EFFECTIVE DATE.** This section is effective beginning with refunds based on property
6.39 taxes payable in 2027.