

State of Minnesota

H. F. No. 373

1.1 A bill for an act

1.2 relating to taxation; individual income; corporate franchise; providing for certain

1.3 business exemptions; amending Minnesota Statutes 2024, section 290.05, by adding

1.4 a subdivision.

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

1.6 Section 1. Minnesota Statutes 2024, section 290.05, is amended by adding a subdivision

1.7 to read:

1.8 Subd. 1a. **Business exemptions.** (a) A corporation as referenced in section 290.02 is

1.9 exempt from taxation under this chapter, as provided in this subdivision. For a corporation

1.10 that received a paycheck protection program loan, the corporation is exempt beginning with

1.11 the taxable year immediately succeeding the taxable year in which the cumulative amount

1.12 of tax paid under this chapter equals or exceeds the aggregate amount of paycheck protection

1.13 program loans received by the corporation. The cumulative amount of tax paid is calculated

1.14 starting with taxable years beginning after December 31, 2025. All other corporations are

1.15 exempt for taxable years beginning after December 31, 2025.

1.16 (b) The trade or business income of a taxpayer subject to tax under section 290.03 is

1.17 exempt from taxation under this chapter, as provided in this subdivision. For a taxpayer that

1.18 received a paycheck protection program loan, the taxpayer's trade or business income is

1.19 exempt beginning with the taxable year immediately succeeding the taxable year in which

1.20 the cumulative amount of tax paid on the trade or business income under this chapter equals

1.21 or exceeds the aggregate amount of paycheck protection program loans received by the

1.22 taxpayer. The cumulative amount of tax paid is calculated starting with taxable years

1.23 beginning after December 31, 2025. For the trade or business income of all other taxpayers

2.1 subject to tax under section 290.03, the income is exempt for taxable years beginning after
2.2 December 31, 2025.

2.3 (c) For purposes of paragraph (b):

2.4 (1) "trade or business income" means:

2.5 (i) income from the sources described in sections 61(a)(2), 61(a)(3), 61(a)(5), 61(a)(6),
2.6 and 61(a)(12) of the Internal Revenue Code;

2.7 (ii) less the deductions described under section 62(a)(1) of the Internal Revenue Code;

2.8 (iii) increased by the additions provided in section 290.0131, subdivisions 8 to 10, 16,
2.9 and 17; and

2.10 (iv) decreased by the subtractions provided in:

2.11 (A) section 290.0132, subdivisions 9 and 27, to the extent the amounts are assignable
2.12 or allocable to Minnesota under section 290.17; and

2.13 (B) section 290.0132, subdivision 14; and

2.14 (2) the amount of tax paid on trade or business income is the amount of tax paid by the
2.15 taxpayer under this chapter in a taxable year, multiplied by a fraction, the numerator of
2.16 which is the taxpayer's trade or business income, and the denominator of which is the
2.17 taxpayer's taxable income.

2.18 (d) For purposes of this subdivision, "paycheck protection program loan" means original
2.19 paycheck protection program loans and subsequent paycheck protection program loans
2.20 within the meaning of section 276 of the COVID-related Tax Relief Act of 2020 in Public
2.21 Law 116-260.

2.22 (e) The commissioner of revenue may require any documentation the commissioner
2.23 deems necessary to administer this section.

2.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.25 31, 2025.