

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3955

03/05/2026 Authored by Gomez
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 property tax refunds; providing a subtraction for
1.3 certain tip income; expanding the Minnesota child tax credit; providing a onetime
1.4 expansion of property tax refunds; establishing a new fifth tier individual income
1.5 tax rate; amending Minnesota Statutes 2024, sections 290.0132, by adding a
1.6 subdivision; 290.06, subdivision 2d; 290.0661, subdivisions 3, 7; Minnesota
1.7 Statutes 2025 Supplement, section 290.06, subdivision 2c.

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

1.9 Section 1. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision
1.10 to read:

1.11 Subd. 40. Tip income. The amount of qualified tips allowed as a deduction under section
1.12 224 of the Internal Revenue Code is a subtraction.

1.13 EFFECTIVE DATE. This section is effective retroactively for taxable years beginning
1.14 after December 31, 2024.

1.15 Sec. 2. Minnesota Statutes 2025 Supplement, section 290.06, subdivision 2c, is amended
1.16 to read:

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

1.21 (1) On the first \$38,770 \$48,700, 5.35 percent;

1.22 (2) On all over \$38,770 \$48,700, but not over \$154,020 \$193,480, 6.8 percent;

2.1 (3) On all over ~~\$154,020~~ \$193,480, but not over ~~\$269,010~~ \$207,660, 7.85 percent;

2.2 (4) On all over ~~\$269,010~~ \$207,660, but not over \$1,000,000, 9.85 percent; and

2.3 (5) On all over \$1,000,000, 10.7 percent.

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

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

2.9 (1) On the first ~~\$26,520~~ \$33,310, 5.35 percent;

2.10 (2) On all over ~~\$26,520~~ \$33,310, but not over ~~\$87,110~~ \$109,430, 6.8 percent;

2.11 (3) On all over ~~\$87,110~~ \$109,430, but not over ~~\$161,720~~ \$114,050, 7.85 percent;

2.12 (4) On all over ~~\$161,720~~ \$114,050, but not over \$600,000, 9.85 percent; and

2.13 (5) On all over \$600,000, 10.7 percent.

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

2.17 (1) On the first ~~\$32,650~~ \$41,010, 5.35 percent;

2.18 (2) On all over ~~\$32,650~~ \$41,010, but not over ~~\$131,190~~ \$164,800, 6.8 percent;

2.19 (3) On all over ~~\$131,190~~ \$164,800, but not over ~~\$214,980~~ \$270,060, 7.85 percent;

2.20 (4) On all over ~~\$214,980~~ \$270,060, but not over \$800,000, 9.85 percent; and

2.21 (5) On all over \$800,000, 10.7 percent.

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

2.29 (e) An individual who is not a Minnesota resident for the entire year must compute the
2.30 individual's Minnesota income tax as provided in this subdivision. After the application of

3.1 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied
3.2 by a fraction in which:

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

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

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

3.11 (2) the denominator is the individual's federal adjusted gross income as defined in section
3.12 62 of the Internal Revenue Code, increased by:

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

3.15 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 14, 15, 18, 27, 31, and
3.16 32, and 290.0137, paragraph (c).

3.17 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
3.18 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision
3.19 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
3.20 provided in paragraph (e), and also must include, to the extent attributed to the electing
3.21 qualifying entity:

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

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

3.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.27 31, 2025.

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

3.29 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust
3.30 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed
3.31 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~
3.32 2026. The rate applicable to any rate bracket must not be changed. The dollar amounts

4.1 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
4.2 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
4.3 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the
4.4 rate bracket for married filing separate returns after this adjustment is done. The rate bracket
4.5 for married filing separate must be one-half of the rate bracket for married filing joint.

4.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.7 31, 2025.

4.8 Sec. 4. Minnesota Statutes 2024, section 290.0661, subdivision 3, is amended to read:

4.9 Subd. 3. **Credit amount.** The credit under this section equals ~~\$1,750~~ \$2,000 per
4.10 qualifying child.

4.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.12 31, 2025.

4.13 Sec. 5. Minnesota Statutes 2024, section 290.0661, subdivision 7, is amended to read:

4.14 Subd. 7. **Inflation adjustment.** (a) For taxable years beginning after December 31, ~~2025~~
4.15 2026, the commissioner of revenue must annually adjust for inflation the credit amount in
4.16 subdivision 3 as provided in section 270C.22. The adjusted amounts must be rounded to
4.17 the nearest \$60. The statutory year is taxable year ~~2025~~ 2026.

4.18 (b) For taxable years beginning after December 31, 2023, the commissioner of revenue
4.19 must annually adjust for inflation the phaseout thresholds in subdivision 4, as provided in
4.20 section 270C.22. The statutory year is taxable year 2023.

4.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.22 31, 2025.

4.23 Sec. 6. **TEMPORARY PROPERTY TAX REFUND INCREASE FOR 2026.**

4.24 (a) For claims filed based on taxes payable in 2026, the commissioner shall increase by
4.25 11.9 percent the refund otherwise payable under Minnesota Statutes, section 290A.04,
4.26 subdivision 2.

4.27 (b) In adjusting homestead credit refunds under this section, the commissioner is not
4.28 required to provide information concerning appeal rights that ordinarily must be provided
4.29 whenever the commissioner adjusts refunds payable under Minnesota Statutes, chapter 290.
4.30 Taxpayers retain all rights to appeal adjustments under this section.

5.1 (c) The amount necessary to make the payments required under this section is
5.2 appropriated from the general fund to the commissioner of revenue.

5.3 **EFFECTIVE DATE.** This section is effective only for refunds based on property taxes
5.4 payable in 2026.