

A bill for an act
relating to taxation; individual income; modifying rates; depositing revenues in a
K-12 education account; amending Minnesota Statutes 2006, sections 290.06,
subdivision 2c; 290.62.

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

Section 1. Minnesota Statutes 2006, section 290.06, subdivision 2c, is amended to read:

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

- (1) On the first \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, ~~7.85~~ 8.5 percent.

Married individuals filing separate returns, estates, and trusts must compute their
income tax by applying the above rates to their taxable income, except that the income
brackets will be one-half of the above amounts.

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

- (1) On the first \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, ~~7.85~~ 8.5 percent.

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

H.F. No. 1738, as introduced - 85th Legislative Session (2007-2008)

(1) On the first \$21,630, 5.35 percent;

(2) On all over \$21,630, but not over \$86,910, 7.05 percent;

(3) On all over \$86,910, ~~7.85~~ 8.5 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9), (10), (14), (15), and (16).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 290.62, is amended to read:

290.62 DISTRIBUTION OF REVENUES.

Subdivision 1. General fund. All revenues derived from the taxes, interest, penalties and charges under this chapter shall, notwithstanding any other provisions of law, be paid into the state treasury and credited to the general fund, and be distributed as follows:

H.F. No. 1738, as introduced - 85th Legislative Session (2007-2008)

(1) There shall, notwithstanding any other provision of the law, be paid from this general fund all refunds of taxes erroneously collected from taxpayers under this chapter as provided herein;

(2) There is hereby appropriated to the persons entitled to payment herein, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

Subd. 2. **K-12 education account.** By July 15 of each odd-numbered year, the commissioner of finance, in consultation with the commissioner of revenue, shall estimate the amount of revenue anticipated for the biennium resulting from enactment of the rate changes in section 1. The estimated amounts must be deposited in the K-12 education account in the special revenue fund. Amounts in the account, along with its investment earnings, are credited to the account and are available for appropriation to fund K-12 education.

EFFECTIVE DATE. This section is effective the day following final enactment.