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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 3501

02/18/2020 Authored by Schultz
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 proposing an amendment to the Minnesota Constitution, article XI, by adding a
1.3 section; creating a dedicated fund for long-term care services; closing a tax loophole
1.4 by levying a tax on individuals with income not taxed for Social Security purposes
1.5 to fund long-term care services; dedicating revenues; providing for the
1.6 commissioner of revenue and the commissioner of human services to propose
1.7 implementing legislation.

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

1.9 ARTICLE 1
1.10 CONSTITUTIONAL AMENDMENT

1.11 Section 1. CONSTITUTIONAL AMENDMENT PROPOSED.

1.12 An amendment to the Minnesota Constitution is proposed to the people. If the amendment
1.13 is adopted, a section shall be added to article XI, to read:

1.14 Sec. 16. A dedicated long-term care fund for the benefit of Minnesotans is created. This
1.15 dedicated long-term care fund is funded by closing a large tax loophole. Prior to the adoption
1.16 of this amendment, the highest income people did not pay any Social Security tax on any
1.17 of their highest income. Only the highest income people received this special treatment.
1.18 Closing this loophole, and treating the highest income people the same as everyone else,
1.19 provides the funds necessary to help our most vulnerable citizens who need long-term care.
1.20 Receipts from the tax under this section, plus penalties and interest, and less any refunds,
1.21 are dedicated to that fund. For taxable years beginning after December 31, 2021, and before
1.22 January 1, 2042, a tax is levied on high-income individuals with income not taxed for Social
1.23 Security purposes at the rate that the federal government taxes income for Social Security
1.24 purposes. If the federal government implements a tiered system for taxing income for Social

2.1 Security purposes, the tax under this section is levied at the lowest tiered rate. Income not
 2.2 taxed for Social Security purposes is any income from wages or self-employment that is in
 2.3 excess of the Social Security contribution and benefit base for the taxable year. The money
 2.4 dedicated under this section shall be appropriated by law to fund the range of long-term
 2.5 care services provided to Minnesotans. Funds appropriated by law must supplement
 2.6 traditional sources of funding for long-term care services and may not be used as a substitute.
 2.7 Funds appropriated by law must reflect the demands and needs of the populations receiving
 2.8 long-term care services. Funds must be appropriated for services in all regions of the state
 2.9 and must be used in part to equalize rates paid for long-term care services in different regions
 2.10 of the state.

2.11 **Sec. 2. SUBMISSION TO VOTERS.**

2.12 (a) The title required under Minnesota Statutes, section 204D.15, subdivision 1, for the
 2.13 question submitted to the people under paragraph (b) shall be "Dedication to Our Most
 2.14 Vulnerable Citizens."

2.15 (b) The proposed amendment must be submitted to the people at the 2020 general election.
 2.16 The question submitted must be:

2.17 "Shall the Minnesota Constitution be amended to dedicate funding to long-term care for
 2.18 seniors and people with disabilities? This care will be funded by closing a tax loophole for
 2.19 a small group of wealthy individuals. Currently, individual income above \$128,400 is exempt
 2.20 from the tax which supports Social Security. Only the top 6% of income earners receive
 2.21 this special treatment. Everyone else is required to pay this tax on all of their earned income.
 2.22 Closing the loophole, and treating the top 6% the same as everyone else, will fund the care
 2.23 needed to help our most vulnerable citizens.

2.24 Yes
 2.25 No "

2.26 **ARTICLE 2**

2.27 **IMPLEMENTING LEGISLATION**

2.28 **Section 1. AGENCY PROPOSAL FOR IMPLEMENTING LEGISLATION.**

2.29 If the amendment in article 1, section 1, to the Minnesota Constitution, article XI, is
 2.30 adopted, the commissioner of revenue and the commissioner of human services shall propose
 2.31 legislation to implement the long-term care tax and to appropriate the proceeds of the tax.
 2.32 The legislation must be introduced at the 2021 general session of the Minnesota Legislature.