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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 3995

03/19/2018 Authored by Carlson, L., and 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 relating to taxation; individual income and corporate franchise; providing for
1.3 various state subtractions and credits and nonconformity to certain federal tax
1.4 items; amending Minnesota Statutes 2016, sections 290.0132, by adding
1.5 subdivisions; 290.0134, by adding a subdivision; Minnesota Statutes 2017
1.6 Supplement, sections 289A.02, subdivision 7; 290.01, subdivisions 19, 31;
1.7 proposing coding for new law in Minnesota Statutes, chapter 290.

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

1.9 Section 1. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is
1.10 amended to read:

1.11 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
1.12 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
1.13 ~~16, 2016~~ 23, 2017.

1.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
1.15 31, 2017.

1.16 Sec. 2. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended
1.17 to read:

1.18 Subd. 19. **Net income.** The term "net income" means the federal taxable income, as
1.19 defined in section 63 of the Internal Revenue Code of 1986, as amended through the date
1.20 named in this subdivision, incorporating the federal effective dates of changes to the Internal
1.21 Revenue Code and any elections made by the taxpayer in accordance with the Internal
1.22 Revenue Code in determining federal taxable income for federal income tax purposes, and
1.23 with the modifications provided in sections 290.0131 to 290.0136.

2.1 In the case of a regulated investment company or a fund thereof, as defined in section
2.2 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
2.3 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
2.4 except that:

2.5 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
2.6 Revenue Code does not apply;

2.7 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue
2.8 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest
2.9 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;
2.10 and

2.11 (3) the deduction for dividends paid must also be applied in the amount of any
2.12 undistributed capital gains which the regulated investment company elects to have treated
2.13 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

2.14 The net income of a real estate investment trust as defined and limited by section 856(a),
2.15 (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable
2.16 income as defined in section 857(b)(2) of the Internal Revenue Code.

2.17 The net income of a designated settlement fund as defined in section 468B(d) of the
2.18 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal
2.19 Revenue Code.

2.20 The Internal Revenue Code of 1986, as amended through December ~~16, 2016~~ 23, 2017,
2.21 shall be in effect for taxable years beginning after December 31, 1996.

2.22 Except as otherwise provided, references to the Internal Revenue Code in this subdivision
2.23 and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net
2.24 income for the applicable year.

2.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.26 31, 2017.

2.27 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended
2.28 to read:

2.29 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
2.30 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
2.31 ~~16, 2016~~ 23, 2017. Internal Revenue Code also includes any uncodified provision in federal
2.32 law that relates to provisions of the Internal Revenue Code that are incorporated into

3.1 Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter
3.2 N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through
3.3 March 18, 2010.

3.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.5 31, 2017.

3.6 Sec. 4. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
3.7 to read:

3.8 Subd. 27. **Dependent exemptions.** (a) The exemption calculated under paragraphs (b)
3.9 to (f) is a subtraction.

3.10 (b) For purposes of this subdivision, "exemption amount" means \$.....

3.11 (c) The exemption amount may be included in the subtraction under this subdivision for
3.12 the spouse of the taxpayer if a joint return is not made by the taxpayer and spouse, and if
3.13 the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no
3.14 gross income and is not the dependent of another taxpayer.

3.15 (d) The exemption amount may be included under this subdivision for each individual
3.16 who is a dependent as defined in section 152 of the Internal Revenue Code of the taxpayer
3.17 for the taxable year.

3.18 (e) In the case of an individual with respect to whom the subtraction under this subdivision
3.19 is allowable to another taxpayer for a taxable year beginning in the calendar year in which
3.20 the individual's taxable year begins, the exemption amount applicable to the individual for
3.21 the individual's taxable year is zero.

3.22 (f) The subtraction under this subdivision is reduced by \$..... for every \$..... over \$.....
3.23 of adjusted gross income, as defined in section 62(a) of the Internal Revenue Code.

3.24 (g) This subdivision expires for taxable years beginning after December 31, 2025.

3.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.26 31, 2017.

3.27 Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
3.28 to read:

3.29 Subd. 28. **State and local taxes.** (a) The difference between the amount of state and
3.30 local taxes allowed as a deduction in a taxable year under section 164 of the Internal Revenue
3.31 Code as amended through December 16, 2016, and the applicable amount is a subtraction.

4.1 (b) For purposes of this subdivision, "applicable amount" means:

4.2 (1) \$5,000 for married taxpayers filing separate and joint returns; and

4.3 (2) \$10,000 for all other taxpayers.

4.4 (c) This subdivision expires for taxable years beginning after December 31, 2025.

4.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.6 31, 2017.

4.7 Sec. 6. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
4.8 to read:

4.9 Subd. 29. **Pass-through losses.** (a) The difference between the amount of losses allowed
4.10 as a deduction in a taxable year under section 461 of the Internal Revenue Code as amended
4.11 through December 16, 2016, and the amount of losses allowed as a deduction in the same
4.12 taxable year under section 461 of the Internal Revenue Code is a subtraction.

4.13 (b) This subdivision expires for taxable years beginning after December 31, 2025.

4.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.15 31, 2017.

4.16 Sec. 7. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
4.17 to read:

4.18 Subd. 30. **Net operating losses.** The difference between the amount of net operating
4.19 losses allowed as a deduction in a taxable year under section 172 of the Internal Revenue
4.20 Code as amended through December 16, 2016, and the amount of net operating losses
4.21 allowed as a deduction in the same taxable year under section 172 of the Internal Revenue
4.22 Code is a subtraction.

4.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.24 31, 2017.

4.25 Sec. 8. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision
4.26 to read:

4.27 Subd. 17. **Net operating losses.** The difference between the amount of net operating
4.28 losses allowed as a deduction in a taxable year under section 172 of the Internal Revenue
4.29 Code as amended through December 16, 2016, and the amount of net operating losses

5.1 allowed as a deduction in the same taxable year under section 172 of the Internal Revenue
 5.2 Code is a subtraction.

5.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 5.4 31, 2017.

5.5 Sec. 9. **[290.0693] CHILD AND FAMILY CREDIT.**

5.6 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
 5.7 the meanings given them.

5.8 (b) "Dependent" has the meaning given in section 152(c) of the Internal Revenue Code.

5.9 (c) "Earned income" has the meaning given in section 32 of the Internal Revenue Code.

5.10 (d) "Modified adjusted gross income" has the meaning given in section 24(b)(1) of the
 5.11 Internal Revenue Code.

5.12 (e) "Qualifying child" means a dependent of the taxpayer who has not reached age 17
 5.13 at the end of the taxable year.

5.14 (f) "Social Security taxes" has the meaning given in section 24(d) of the Internal Revenue
 5.15 Code.

5.16 (g) "Threshold amount" means:

5.17 (1) \$..... for married taxpayers filing a joint return;

5.18 (2) \$..... for head of household filers; and

5.19 (3) \$..... for single filers.

5.20 Subd. 2. **Credit allowed.** (a) A taxpayer is allowed a credit against the tax imposed
 5.21 under this chapter in the following amounts:

5.22 (1) \$..... for each qualifying child of the taxpayer; and

5.23 (2) \$..... for each dependent of the taxpayer other than a qualifying child.

5.24 (b) The credit under paragraph (a), clause (1), is reduced by \$..... for every \$..... of
 5.25 modified adjusted gross income over the threshold amount.

5.26 Subd. 3. **Portion of credit refundable.** (a) If the credit allowed under subdivision 2,
 5.27 paragraph (a), exceeds the tax liability under this chapter, the commissioner shall refund
 5.28 the taxpayer an amount that equals the lesser of:

5.29 (1) 15 percent of earned income above \$.....; or

6.1 (2) for taxpayers with three or more qualifying children, the excess of the taxpayer's
6.2 Social Security taxes for the taxable year over the taxpayer's earned income for the taxable
6.3 year.

6.4 Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required in this section
6.5 is appropriated to the commissioner from the general fund.

6.6 Subd. 5. **Expiration.** This section expires for taxable years beginning after December
6.7 31, 2025.

6.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.9 31, 2017.