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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 4776

03/11/2024 Authored by Nadeau, Davids, Altendorf, Myers, Bakeberg and others
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; allowing a
1.3 subtraction for employer-provided dependent care assistance; establishing a tax
1.4 credit for employer-provided child care expenses; amending Minnesota Statutes
1.5 2022, section 290.0132, by adding a subdivision; proposing coding for new law
1.6 in Minnesota Statutes, chapter 290.

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

1.8 Section 1. Minnesota Statutes 2022, section 290.0132, is amended by adding a subdivision
1.9 to read:

1.10 Subd. 36. Employer-provided dependent care assistance. (a) The amount of dependent
1.11 care assistance is a subtraction. The subtraction under this subdivision is limited to \$10,000
1.12 for a married taxpayer filing a joint return and \$5,000 for all other filers.

1.13 (b) For the purposes of this section, "dependent care assistance" has the meaning given
1.14 in section 129(e)(1) of the Internal Revenue Code, but is limited to amounts paid by an
1.15 employer to an employee in excess of the amount that is excluded from gross income under
1.16 section 129(a) of the Internal Revenue Code.

1.17 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.18 31, 2023.

1.19 Sec. 2. [290.0687] EMPLOYER-PROVIDED CHILD CARE CREDIT.

1.20 Subdivision 1. Definition. (a) For the purposes of this section, the following term has
1.21 the meaning given.

1.22 (b) "Employer" has the meaning given in section 290.92, clause (4).

2.1 Subd. 2. **Credit allowed.** (a) An employer is allowed a credit against the taxes imposed  
2.2 under this chapter equal to the amount of the credit claimed under section 45F of the Internal  
2.3 Revenue Code, except the credit under this section is limited to credits claimed based on  
2.4 qualified child care expenses or qualified child care resource and referral expenditures that  
2.5 were paid or incurred in Minnesota.

2.6 (b) For a taxpayer who claimed a credit under section 45F of the Internal Revenue Code  
2.7 based partly on expenses paid or incurred outside of Minnesota, the credit under this section  
2.8 equals the amount of the credit claimed federally that is attributable to expenses paid or  
2.9 incurred in Minnesota.

2.10 Subd. 3. **Partnerships.** Credits granted to a partnership, a limited liability company  
2.11 taxed as a partnership, or S corporation are passed through to the partners, members, or  
2.12 shareholders, respectively, pro rata to each partner, member, or shareholder based on their  
2.13 share of the entity's assets or as specially allocated in their organizational documents or any  
2.14 other executed agreement, as of the last day of the taxable year.

2.15 Subd. 4. **Carryover.** The credit under this section may not exceed the taxpayer's liability  
2.16 for tax under this chapter. If the amount of the credit under this section exceeds the taxpayer's  
2.17 liability for tax under this chapter, the excess is a credit carryover to each of the five  
2.18 succeeding taxable years. The entire amount of the excess unused credit for the taxable year  
2.19 must be carried first to the earliest of the taxable years to which the credit may be carried  
2.20 and then to each successive year to which the credit may be carried. The amount of the  
2.21 unused credit that may be added under this subdivision may not exceed the taxpayer's  
2.22 liability for tax, less any credit for the current taxable year.

2.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
2.24 31, 2023.