

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 1175

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DATE	D-PG	OFFICIAL STATUS
02/20/2017	669	Introduction and first reading
		Referred to Taxes
02/23/2017	770	Author added Gazelka

1.1 A bill for an act
 1.2 relating to taxation; individual income; providing a subtraction for Social Security
 1.3 benefits; amending Minnesota Statutes 2016, sections 290.0131, by adding a
 1.4 subdivision; 290.0132, by adding a subdivision; 290.091, subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
 1.7 to read:

1.8 Subd. 14. Social Security benefits. (a) An amount of Social Security benefits, as defined
 1.9 under section 86(d)(1) of the Internal Revenue Code, is an addition, pursuant to the
 1.10 requirements of paragraph (b).

1.11 (b) The addition required under paragraph (a) is calculated by multiplying the amount
 1.12 of Social Security benefits received in the taxable year by the percentages in clause (1) or
 1.13 (2), as applicable:

1.14 (1) for single or head-of-household taxpayers, or married taxpayers filing a separate
 1.15 return and who maintained a separate residence for all of the taxable year, with provisional
 1.16 income:

1.17 (i) over \$....., but not over \$.....; ... percent; and

1.18 (ii) over \$.....; ... percent; and

1.19 (2) for married taxpayers filing a joint return with provisional income:

1.20 (i) over \$....., but not over \$.....; ... percent; and

1.21 (ii) over \$.....; ... percent.

2.1 (c) For purposes of this subdivision:

2.2 (1) "provisional income" means modified adjusted gross income, as defined in section
2.3 86(b)(2) of the Internal Revenue Code, plus one-half of the amount of Social Security
2.4 benefits received during the taxable year; and

2.5 (2) "federal poverty line" has the meaning given in United States Code, title 42, section
2.6 9902(2).

2.7 (d) The commissioner shall adjust the dollar amount of the income threshold at which
2.8 the maximum credit begins to be reduced under paragraph (b) by the percentage determined
2.9 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
2.10 1(f)(3)(B) of the Internal Revenue Code the word "2016" shall be substituted for the word
2.11 "1992." For 2018, the commissioner shall then determine the percent change from the 12
2.12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in
2.13 each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months
2.14 ending on August 31 of the year preceding the taxable year. The determination of the
2.15 commissioner pursuant to this subdivision must not be considered a rule and is not subject
2.16 to the Administrative Procedure Act contained in chapter 14. The threshold amount as
2.17 adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount
2.18 is rounded up to the nearest \$10 amount.

2.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.20 31, 2016.

2.21 Sec. 2. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
2.22 to read:

2.23 Subd. 23. **Social Security benefits.** The amount of Social Security benefits, as defined
2.24 under section 86(d)(1) of the Internal Revenue Code, is a subtraction.

2.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.26 31, 2016.

2.27 Sec. 3. Minnesota Statutes 2016, section 290.091, subdivision 2, is amended to read:

2.28 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
2.29 terms have the meanings given:

2.30 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
2.31 year:

- 3.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section
3.2 55(b)(2) of the Internal Revenue Code;
- 3.3 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
3.4 taxable income, but excluding:
- 3.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 3.6 (ii) the medical expense deduction;
- 3.7 (iii) the casualty, theft, and disaster loss deduction; and
- 3.8 (iv) the impairment-related work expenses of a disabled person;
- 3.9 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
3.10 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
3.11 to the extent not included in federal alternative minimum taxable income, the excess of the
3.12 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
3.13 taxable year over the adjusted basis of the property at the end of the taxable year (determined
3.14 without regard to the depletion deduction for the taxable year);
- 3.15 (4) to the extent not included in federal alternative minimum taxable income, the amount
3.16 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
3.17 Code determined without regard to subparagraph (E);
- 3.18 (5) to the extent not included in federal alternative minimum taxable income, the amount
3.19 of interest income as provided by section 290.0131, subdivision 2; and
- 3.20 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11 and 14;
3.21 less the sum of the amounts determined under the following:
- 3.22 (1) interest income as defined in section 290.0132, subdivision 2;
- 3.23 (2) an overpayment of state income tax as provided by section 290.0132, subdivision 3,
3.24 to the extent included in federal alternative minimum taxable income;
- 3.25 (3) the amount of investment interest paid or accrued within the taxable year on
3.26 indebtedness to the extent that the amount does not exceed net investment income, as defined
3.27 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
3.28 in computing federal adjusted gross income;
- 3.29 (4) amounts subtracted from federal taxable income as provided by section 290.0132,
3.30 subdivisions 7, 9 to 15, 17, ~~and 21~~, and 23; and

4.1 (5) the amount of the net operating loss allowed under section 290.095, subdivision 11,
4.2 paragraph (c).

4.3 In the case of an estate or trust, alternative minimum taxable income must be computed
4.4 as provided in section 59(c) of the Internal Revenue Code.

4.5 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
4.6 the Internal Revenue Code.

4.7 (c) "Net minimum tax" means the minimum tax imposed by this section.

4.8 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
4.9 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
4.10 under this chapter.

4.11 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
4.12 after subtracting the exemption amount determined under subdivision 3.

4.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.14 31, 2016.