

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 4487

(SENATE AUTHORS: KLEIN)

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

- 1.1 A bill for an act
- 1.2 relating to taxation; property tax refunds; increasing maximum refunds and
- 1.3 expanding eligibility for refunds; expanding the exemption amount for senior
- 1.4 claimants and claimants with a disability; amending Minnesota Statutes 2020,
- 1.5 section 290A.04, subdivisions 2, 4; Minnesota Statutes 2021 Supplement, section
- 1.6 290A.03, subdivision 3.
- 1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.8 Section 1. Minnesota Statutes 2021 Supplement, section 290A.03, subdivision 3, is
- 1.9 amended to read:
- 1.10 Subd. 3. **Income.** (a) "Income" means the sum of the following:
- 1.11 (1) federal adjusted gross income as defined in the Internal Revenue Code; and
- 1.12 (2) the sum of the following amounts to the extent not included in clause (1):
- 1.13 (i) all nontaxable income;
- 1.14 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,
- 1.15 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss
- 1.16 carryover allowed under section 469(b) of the Internal Revenue Code;
- 1.17 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a
- 1.18 solvent individual excluded from gross income under section 108(g) of the Internal Revenue
- 1.19 Code;
- 1.20 (iv) cash public assistance and relief;
- 1.21 (v) any pension or annuity (including railroad retirement benefits, all payments received
- 1.22 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),

which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) alimony received to the extent not included in the recipient's income;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced

by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation;

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16;

(8) alimony paid; or

(9) veterans disability compensation paid under title 38 of the United States Code.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount multiplied by 1.5.

(d) For purposes of this subdivision, the following terms have the meanings given:

(1) "exemption amount" means the exemption amount under section 290.0121, subdivision 1, paragraph (b), for the taxable year for which the income is reported;

(2) "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and

(3) "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective beginning with claims based on rent paid in 2022 and property taxes payable in 2023.

Sec. 2. Minnesota Statutes 2020, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,739			2,770
<u>\$0 to \$1,920</u>	1.0 percent	15 percent	\$ <u>3,560</u>
1,740 to 3,459			2,770
<u>\$1,920 to \$3,820</u>	1.1 percent	15 percent	\$ <u>3,560</u>
3,460 to 5,239			2,770
<u>\$3,820 to \$5,790</u>	1.2 percent	15 percent	\$ <u>3,560</u>
5,240 to 6,989			2,770
<u>\$5,790 to \$7,730</u>	1.3 percent	20 percent	\$ <u>3,560</u>
6,990 to 8,719			2,770
<u>\$7,730 to \$9,640</u>	1.4 percent	20 percent	\$ <u>3,560</u>
8,720 to 12,219			2,770
<u>\$9,640 to \$13,510</u>	1.5 percent	20 percent	\$ <u>3,560</u>
12,220 to 13,949			2,770
<u>\$13,510 to \$15,420</u>	1.6 percent	20 percent	\$ <u>3,560</u>
13,950 to 15,709			2,770
<u>\$15,420 to \$17,370</u>	1.7 percent	20 percent	\$ <u>3,560</u>
15,710 to 17,449			2,770
<u>\$17,370 to \$19,290</u>	1.8 percent	20 percent	\$ <u>3,560</u>

5.1	17,450 to 19,179			<u>2,770</u>
5.2	<u>\$19,290 to \$21,200</u>	1.9 percent	25 percent	\$ <u>3,560</u>
5.3	19,180 to 24,429			<u>2,770</u>
5.4	<u>\$21,200 to \$27,010</u>	2.0 percent	25 percent	\$ <u>3,560</u>
5.5	24,430 to 26,169			<u>2,770</u>
5.6	<u>\$27,010 to \$28,930</u>	2.0 percent	30 percent	\$ <u>3,560</u>
5.7	26,170 to 29,669			<u>2,770</u>
5.8	<u>\$28,930 to \$32,800</u>	2.0 percent	30 percent	\$ <u>3,560</u>
5.9	29,670 to 41,859			<u>2,770</u>
5.10	<u>\$32,800 to \$46,270</u>	2.0 percent	35 percent	\$ <u>3,560</u>
5.11	41,860 to 61,049			<u>2,240</u>
5.12	<u>\$46,270 to \$67,490</u>	2.0 percent	35 percent	\$ <u>2,980</u>
5.13	61,050 to 69,769			<u>1,960</u>
5.14	<u>\$67,490 to \$77,130</u>	2.0 percent	40 percent	\$ <u>2,670</u>
5.15	69,770 to 78,499			<u>1,620</u>
5.16	<u>\$77,130 to \$86,780</u>	2.1 percent	40 percent	\$ <u>2,290</u>
5.17	78,500 to 87,219			<u>1,450</u>
5.18	<u>\$86,780 to \$96,420</u>	2.2 percent	40 percent	\$ <u>2,100</u>
5.19	87,220 to 95,939			<u>1,270</u>
5.20	<u>\$96,420 to \$106,060</u>	2.3 percent	40 percent	\$ <u>1,900</u>
5.21	95,940 to 101,179			<u>1,070</u>
5.22	<u>\$106,060 to \$111,850</u>	2.4 percent	45 percent	\$ <u>1,680</u>
5.23	101,180 to 104,689			<u>890</u>
5.24	<u>\$111,850 to \$115,730</u>	2.5 percent	45 percent	\$ <u>1,480</u>
5.25	104,690 to 108,919			<u>730</u>
5.26	<u>\$115,730 to \$120,410</u>	2.5 percent	50 percent	\$ <u>1,310</u>
5.27	108,920 to 113,149			<u>540</u>
5.28	<u>\$120,410 to \$125,080</u>	2.5 percent	50 percent	\$ <u>1,100</u>
5.29	<u>\$125,080 to \$135,000</u>	<u>2.6 percent</u>	<u>50 percent</u>	\$ <u>850</u>
5.30	<u>\$135,000 to \$145,000</u>	<u>2.7 percent</u>	<u>50 percent</u>	\$ <u>600</u>
5.31	<u>\$145,000 to \$155,000</u>	<u>2.8 percent</u>	<u>50 percent</u>	\$ <u>350</u>

5.32 The payment made to a claimant shall be the amount of the state refund calculated under
5.33 this subdivision. No payment is allowed if the claimant's household income is ~~\$113,150~~
5.34 \$155,000 or more.

5.35 **EFFECTIVE DATE.** This section is effective for claims based on property taxes payable
5.36 in 2023 and following years.

5.37 Sec. 3. Minnesota Statutes 2020, section 290A.04, subdivision 4, is amended to read:

5.38 Subd. 4. **Inflation adjustment.** The commissioner shall annually adjust the dollar
5.39 amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a

- 6.1 as provided in section 270C.22. The statutory year for subdivision 2 is 2022. The statutory
- 6.2 year for subdivision 2a is 2018.
- 6.3 **EFFECTIVE DATE.** This section is effective for claims based on property taxes payable
- 6.4 in 2024 and following years.