State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2756

03/28/2019 Authored by Sandell and Loeffler
The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to taxation; income and estate; imposing additional tax on certain capital gain and dividend income; proposing coding for new law in Minnesota Statutes, chapter 290.

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

Section 1. **[290.055] ADDITIONAL TAX ON CAPITAL GAIN INCOME.**

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

(b) "Adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

(c) "Net long-term capital gain" has the meaning given in section 1222 of the Internal Revenue Code, excluding a capital gain resulting from the sale of property classified as 2a property under section 273.13, subdivision 23. Net long-term capital gain income is limited to amounts included in adjusted gross income.

(d) "Preferential rate income" means the sum of a taxpayer's net long-term capital gain and qualified dividend income.

(e) "Qualified dividend income" has the meaning given in section 1(h)(11)(B) of the Internal Revenue Code.

Subd. 2. **Tax imposed; capital gains.** In addition to the taxes imposed under sections 290.06, subdivision 2c, and 290.091, an individual, trust, or estate is liable for a tax equal to three percent of preferential rate income in excess of $500,000.

Subd. 3. **Nonresidents.** (a) For an individual who is not a resident for the entire taxable year, the tax under subdivision 2 is imposed in an amount equal to: (1) the amount calculated under subdivision 2 for the full year and for all preferential rate income multiplied by; (2) the Minnesota percentage determined under paragraph (b).

(b) "Minnesota percentage" equals:

(1) the sum of the following amounts for the taxable year:

(i) net long-term capital gain from the sale of real property located in Minnesota and tangible personal property with a situs in Minnesota on the date of the sale;

(ii) qualified dividend income received during and net long-term capital gain, other than gain included under item (i), received for sales or exchanges made during a period when the taxpayer was domiciled in Minnesota; divided by

(2) the total amount of preferential rate income for the taxable year.

Subd. 4. **Credits for taxes paid to another state.** For purposes of computing the credit for taxes paid to another state under section 290.06, subdivision 22, if the net long-term capital gain qualified for an exclusion, deduction, or exemption, in whole or part, from taxation under the other state's tax, the tax under this section used to calculate the credit must be reduced by three percent of the dollar amount of the exclusion, deduction, or exemption amount that applies under the other state's tax.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.