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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3

01/08/2015 Authored by Schomacker, Daudt, Kiel, Hamilton, Mack and others
The bill was read for the first time and referred to the Committee on Aging and Long-Term Care Policy

1.1 A bill for an act
1.2 relating to long-term care; modifying nursing facility employee scholarship
1.3 costs; providing for a long-term care savings plan; providing for an income tax
1.4 subtraction for contributions made to the long-term care savings plan; providing
1.5 a credit for the additional tax paid on early withdrawals from retirement accounts
1.6 if used for long-term care expenses; appropriating money; amending Minnesota
1.7 Statutes 2014, sections 144.1501, subdivision 2; 256B.431, subdivision 36;
1.8 290.01, subdivisions 19a, 19b; 290.091, subdivision 2; proposing coding for new
1.9 law in Minnesota Statutes, chapters 16A; 290.

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

1.11 ARTICLE 1

1.12 LONG-TERM CARE WORKFORCE DEVELOPMENT POLICY

1.13 Section 1. Minnesota Statutes 2014, section 144.1501, subdivision 2, is amended to read:

1.14 Subd. 2. **Creation of account.** (a) A health professional education loan forgiveness
1.15 program account is established. The commissioner of health shall use money from the
1.16 account to establish a loan forgiveness program:

1.17 (1) for medical residents agreeing to practice in designated rural areas or underserved
1.18 urban communities or specializing in the area of pediatric psychiatry;

1.19 (2) for midlevel practitioners agreeing to practice in designated rural areas or to
1.20 teach at least 12 credit hours, or 720 hours per year in the nursing field in a postsecondary
1.21 program at the undergraduate level or the equivalent at the graduate level;

1.22 (3) for nurses who agree to practice in a Minnesota nursing home or intermediate
1.23 care facility for persons with developmental disability or to teach at least 12 credit hours,
1.24 or 720 hours per year in the nursing field in a postsecondary program at the undergraduate
1.25 level or the equivalent at the graduate level;

2.1 (4) for other health care technicians agreeing to teach at least 12 credit hours, or 720
 2.2 hours per year in their designated field in a postsecondary program at the undergraduate
 2.3 level or the equivalent at the graduate level. The commissioner, in consultation with
 2.4 the Healthcare Education-Industry Partnership, shall determine the health care fields
 2.5 where the need is the greatest, including, but not limited to, respiratory therapy, clinical
 2.6 laboratory technology, radiologic technology, and surgical technology;

2.7 (5) for pharmacists who agree to practice in designated rural areas; ~~and~~

2.8 (6) for dentists agreeing to deliver at least 25 percent of the dentist's yearly patient
 2.9 encounters to state public program enrollees or patients receiving sliding fee schedule
 2.10 discounts through a formal sliding fee schedule meeting the standards established by
 2.11 the United States Department of Health and Human Services under Code of Federal
 2.12 Regulations, title 42, section 51, chapter 303-; and

2.13 (7) for the following health care professionals agreeing to practice in a Minnesota
 2.14 nursing home or intermediate care facility for persons with a developmental disability:

2.15 (i) dentists, medical residents, midlevel practitioners, or pharmacists; or

2.16 (ii) other health care technicians working in health care fields where the need
 2.17 is the greatest, as determined by the commissioner in consultation with the Healthcare
 2.18 Education-Industry Partnership, including, but not limited to, respiratory therapy, clinical
 2.19 laboratory technology, radiologic technology, and surgical technology.

2.20 (b) Appropriations made to the account do not cancel and are available until
 2.21 expended, except that at the end of each biennium, any remaining balance in the account
 2.22 that is not committed by contract and not needed to fulfill existing commitments shall
 2.23 cancel to the fund.

2.24 Sec. 2. Minnesota Statutes 2014, section 256B.431, subdivision 36, is amended to read:

2.25 Subd. 36. **Employee scholarship costs and training in English as a second**

2.26 **language.** (a) For the period between ~~July 1, 2001, and June 30, 2003~~ October 1,
 2.27 2015, and September 30, 2017, the commissioner shall provide to each nursing facility
 2.28 reimbursed under this section, section 256B.434, or any other section, a scholarship per
 2.29 diem of 25 cents to the total operating payment rate to be used:

2.30 (1) for employee scholarships that satisfy the following requirements:

2.31 (i) scholarships are available to all employees who work an average of at least ~~20~~
 2.32 ten hours per week at the facility except the administrator, ~~department supervisors, and~~
 2.33 registered nurses and to reimburse student loan expenses for newly hired and recently
 2.34 graduated registered nurses and licensed practical nurses; and

3.1 (ii) the course of study is expected to lead to career advancement with the facility or
 3.2 in long-term care, including medical care interpreter services and social work; and

3.3 (2) to provide job-related training in English as a second language.

3.4 (b) A facility receiving a rate adjustment under this subdivision may submit to the
 3.5 commissioner on a schedule determined by the commissioner and on a form supplied
 3.6 by the commissioner a calculation of the scholarship per diem, including: the amount
 3.7 received from this rate adjustment; the amount used for training in English as a second
 3.8 language; the number of persons receiving the training; the name of the person or entity
 3.9 providing the training; and for each scholarship recipient, the name of the recipient,
 3.10 the amount awarded, the educational institution attended, the nature of the educational
 3.11 program, the program completion date, and a determination of the per diem amount of
 3.12 these costs based on actual resident days.

3.13 (c) ~~On July 1, 2003~~ October 1, 2017, the commissioner shall remove the 25 cent
 3.14 scholarship per diem from the total operating payment rate of each facility.

3.15 (d) ~~For rate years beginning after June 30, 2003, the commissioner shall provide~~
 3.16 ~~to each facility the scholarship per diem determined in paragraph (b).~~ In calculating the
 3.17 per diem under paragraph (b), the commissioner shall allow ~~only~~ costs related to tuition
 3.18 ~~and~~ direct educational expenses, and child care costs and transportation expenses related
 3.19 to direct educational expenses.

3.20 (e) The rate increase under this subdivision is an optional rate add-on that the facility
 3.21 must request from the commissioner in a manner prescribed by the commissioner. The
 3.22 rate increase must be used for scholarships as specified in this subdivision.

3.23 (f) Nursing facilities that close beds during a rate year can request to have their
 3.24 scholarship adjustment under paragraph (b) recalculated by the commissioner for the
 3.25 remainder of the rate year to reflect the reduction in resident days compared to the cost
 3.26 report year.

3.27 Sec. 3. **DIRECTION TO COMMISSIONER; LONG-TERM CARE**
 3.28 **WORKFORCE DEVELOPMENT.**

3.29 The commissioner of employment and economic development shall review existing
 3.30 workforce development programs in order to further the advancement of long-term care
 3.31 careers in rural Minnesota. The commissioner shall report recommendations regarding
 3.32 training, retaining, and connecting employees to long-term care facilities in rural
 3.33 Minnesota to the chairs and ranking minority members of the legislative committees with
 3.34 jurisdiction over long-term care and workforce development by February 1, 2016.

4.1 Sec. 4. **APPROPRIATIONS.**

4.2 (a) \$..... is appropriated in fiscal year 2016 and \$..... is appropriated in fiscal
 4.3 year 2017 from the general fund to the commissioner of health for the purposes of the
 4.4 health professional education loan forgiveness program under Minnesota Statutes, section
 4.5 144.1501.

4.6 (b) \$..... is appropriated in fiscal year 2016 and \$..... is appropriated in fiscal year
 4.7 2017 from the general fund to the commissioner of human services for the purposes of
 4.8 nursing facility employee scholarship costs under Minnesota Statutes, section 256B.431,
 4.9 subdivision 36.

4.10 **ARTICLE 2**

4.11 **LONG-TERM CARE TAX POLICY**

4.12 Section 1. **[16A.728] LONG-TERM CARE SAVINGS PLAN.**

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

4.15 (b) "Long-term care expense" means the cost of long-term care in a long-term care
 4.16 facility and the cost of care provided in a person's home when the person receiving the
 4.17 care is unable to perform multiple basic life functions independently.

4.18 (c) "Long-term care insurance premiums" means premiums paid for a long-term care
 4.19 insurance policy, as defined in section 290.0672.

4.20 (d) "Participant" means an individual who has entered into a participation agreement
 4.21 or established an account with a financial institution with which the commissioner has an
 4.22 agreement under subdivision 2, paragraph (a).

4.23 (e) "Qualified individual" means a person who:

4.24 (1) incurred long-term care expenses during the taxable year; or

4.25 (2) turned 50 years of age or older during the taxable year and who made payments
 4.26 for long-term care insurance premiums during the taxable year.

4.27 Subd. 2. **Commissioner duties; participation agreement.** (a) The Minnesota
 4.28 long-term care savings plan is created. The commissioner shall select the administrator of
 4.29 the plan. If the commissioner receives no acceptable responses to a request for proposals
 4.30 for an administrator for the plan by November 1, 2015, the commissioner may enter into
 4.31 agreements with state chartered or federally chartered banks, savings banks, savings
 4.32 associations, trust companies, or credit unions, or a subsidiary of such an entity, to receive
 4.33 contributions in the form of account deposits. The commissioner may adopt rules to
 4.34 carry out the duties under this subdivision.

5.1 (b) If an administrator is selected, participants must enter into participation
5.2 agreements with the commissioner, and if an administrator is not selected, participants may
5.3 make contributions to an account with a financial institution with which the commissioner
5.4 has an agreement under paragraph (a). A lifetime maximum of \$200,000 may be
5.5 contributed by a participant. The commissioner must adjust the dollar limitation annually
5.6 for inflation as provided in section 151 of the Internal Revenue Code of 1986, as amended.

5.7 (c) Each participation agreement must provide that the agreement may be canceled
5.8 or transferred to a spouse upon the terms and conditions set by the commissioner. If
5.9 the participation agreement is canceled or the Minnesota long-term care savings plan is
5.10 terminated, a participant may receive the principal amount of all contributions made
5.11 by the participant or on behalf of the participant plus the actual investment earnings on
5.12 the contributions, less any losses incurred on the contributions. A participant must not
5.13 receive more than the fair market value of the account under the participation agreement
5.14 on the applicable liquidation date.

5.15 (d) A participant retains ownership of all contributions up to the date of use.

5.16 (e) State income tax treatment of contributions and investment earnings is as
5.17 provided in section 290.01, subdivisions 19a and 19b.

5.18 Subd. 3. **Long-term care savings plan trust.** If an administrator for the Minnesota
5.19 long-term care savings plan is selected under subdivision 2, the Minnesota long-term care
5.20 savings plan trust is created. The commissioner is the trustee of the trust and is responsible
5.21 for the administration, operation, and maintenance of the plan and has all the powers
5.22 necessary to carry out and effectuate the purposes, objectives, and provisions of the
5.23 Minnesota long-term care savings plan for the administration, operation, and maintenance
5.24 of the trust, except that the investment officer has fiduciary responsibility to make all
5.25 decisions regarding the investment of the money in the trust, including the selection of all
5.26 investment options and the approval of all fees and other costs charged to trust assets, except
5.27 costs for administration, operation, and maintenance of the trust, under the directions,
5.28 guidelines, and policies established by the State Board of Investment. The commissioner
5.29 may adopt rules for the efficient administration, operation, and maintenance of the trust.
5.30 The commissioner must not adopt rules that in any way interfere with the fiduciary
5.31 responsibility of the state investment officer to make all decisions regarding the investment
5.32 of money in the trust. The State Board of Investment may adopt rules to provide for the
5.33 prudent investment of the assets of the trust. The State Board of Investment or its designee
5.34 may select and enter into agreements with individuals and entities to provide investment
5.35 advice and management of the assets held by the trust, establish investment guidelines,

6.1 objectives, and performance standards for the assets held by the trust, and approve any
 6.2 fees, commissions, and expenses which directly or indirectly affect the return on assets.

6.3 Subd. 4. **Authorized withdrawals.** A qualified individual may make withdrawals as
 6.4 a participant in the Minnesota long-term care savings plan to pay or reimburse long-term
 6.5 care expenses. A qualified individual may make withdrawals to pay or reimburse
 6.6 long-term care insurance premiums. Any participant who is not a qualified individual or
 6.7 who makes a withdrawal for any reason other than: (1) a transfer of funds to a spouse;
 6.8 (2) payment of long-term care expenses or long-term care insurance premiums; or (3)
 6.9 payment of expenses related to the death of the participant, is subject to a ten percent
 6.10 penalty on the amount withdrawn. The commissioner shall collect the penalty.

6.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.12 Sec. 2. Minnesota Statutes 2014, section 290.01, subdivision 19a, is amended to read:

6.13 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
 6.14 trusts, there shall be added to federal taxable income:

6.15 (1)(i) interest income on obligations of any state other than Minnesota or a political
 6.16 or governmental subdivision, municipality, or governmental agency or instrumentality
 6.17 of any state other than Minnesota exempt from federal income taxes under the Internal
 6.18 Revenue Code or any other federal statute; and

6.19 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
 6.20 Code, except:

6.21 (A) the portion of the exempt-interest dividends exempt from state taxation under
 6.22 the laws of the United States; and

6.23 (B) the portion of the exempt-interest dividends derived from interest income
 6.24 on obligations of the state of Minnesota or its political or governmental subdivisions,
 6.25 municipalities, governmental agencies or instrumentalities, but only if the portion of the
 6.26 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
 6.27 95 percent or more of the exempt-interest dividends, including any dividends exempt
 6.28 under subitem (A), that are paid by the regulated investment company as defined in section
 6.29 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
 6.30 defined in section 851(g) of the Internal Revenue Code, making the payment; and

6.31 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
 6.32 government described in section 7871(c) of the Internal Revenue Code shall be treated as
 6.33 interest income on obligations of the state in which the tribe is located;

6.34 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or
 6.35 accrued within the taxable year under this chapter and the amount of taxes based on net

7.1 income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or
7.2 to any province or territory of Canada, to the extent allowed as a deduction under section
7.3 63(d) of the Internal Revenue Code, but the addition may not be more than the amount
7.4 by which the state itemized deduction exceeds the amount of the standard deduction as
7.5 defined in section 63(c) of the Internal Revenue Code, minus any addition that would have
7.6 been required under clause (17) if the taxpayer had claimed the standard deduction. For
7.7 the purpose of this clause, income, sales and use, motor vehicle sales, or excise taxes are
7.8 the last itemized deductions disallowed under clause (15);

7.9 (3) the capital gain amount of a lump-sum distribution to which the special tax under
7.10 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

7.11 (4) the amount of income taxes paid or accrued within the taxable year under this
7.12 chapter and taxes based on net income paid to any other state or any province or territory
7.13 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
7.14 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
7.15 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

7.16 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
7.17 other than expenses or interest used in computing net interest income for the subtraction
7.18 allowed under subdivision 19b, clause (1);

7.19 (6) the amount of a partner's pro rata share of net income which does not flow
7.20 through to the partner because the partnership elected to pay the tax on the income under
7.21 section 6242(a)(2) of the Internal Revenue Code;

7.22 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
7.23 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
7.24 in the taxable year generates a deduction for depreciation under section 168(k) and the
7.25 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
7.26 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
7.27 limited to excess of the depreciation claimed by the activity under section 168(k) over the
7.28 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
7.29 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
7.30 under section 168(k) is allowed;

7.31 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
7.32 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
7.33 Revenue Code of 1986, as amended through December 31, 2003;

7.34 (9) to the extent deducted in computing federal taxable income, the amount of the
7.35 deduction allowable under section 199 of the Internal Revenue Code;

7.36 (10) the amount of expenses disallowed under section 290.10, subdivision 2;

8.1 (11) for taxable years beginning before January 1, 2010, the amount deducted for
8.2 qualified tuition and related expenses under section 222 of the Internal Revenue Code, to
8.3 the extent deducted from gross income;

8.4 (12) for taxable years beginning before January 1, 2010, the amount deducted for
8.5 certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)
8.6 of the Internal Revenue Code, to the extent deducted from gross income;

8.7 (13) discharge of indebtedness income resulting from reacquisition of business
8.8 indebtedness and deferred under section 108(i) of the Internal Revenue Code;

8.9 (14) changes to federal taxable income attributable to a net operating loss that the
8.10 taxpayer elected to carry back for more than two years for federal purposes but for which
8.11 the losses can be carried back for only two years under section 290.095, subdivision
8.12 11, paragraph (c);

8.13 (15) the amount of disallowed itemized deductions, but the amount of disallowed
8.14 itemized deductions plus the addition required under clause (2) may not be more than the
8.15 amount by which the itemized deductions as allowed under section 63(d) of the Internal
8.16 Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of
8.17 the Internal Revenue Code, and reduced by any addition that would have been required
8.18 under clause (17) if the taxpayer had claimed the standard deduction:

8.19 (i) the amount of disallowed itemized deductions is equal to the lesser of:

8.20 (A) three percent of the excess of the taxpayer's federal adjusted gross income
8.21 over the applicable amount; or

8.22 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the
8.23 taxpayer under the Internal Revenue Code for the taxable year;

8.24 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a
8.25 married individual filing a separate return. Each dollar amount shall be increased by
8.26 an amount equal to:

8.27 (A) such dollar amount, multiplied by

8.28 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
8.29 Revenue Code for the calendar year in which the taxable year begins, by substituting
8.30 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

8.31 (iii) the term "itemized deductions" does not include:

8.32 (A) the deduction for medical expenses under section 213 of the Internal Revenue
8.33 Code;

8.34 (B) any deduction for investment interest as defined in section 163(d) of the Internal
8.35 Revenue Code; and

9.1 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or
 9.2 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue
 9.3 Code or for losses described in section 165(d) of the Internal Revenue Code;

9.4 (16) the amount of disallowed personal exemptions for taxpayers with federal
 9.5 adjusted gross income over the threshold amount:

9.6 (i) the disallowed personal exemption amount is equal to the number of personal
 9.7 exemptions allowed under section 151(b) and (c) of the Internal Revenue Code multiplied
 9.8 by the dollar amount for personal exemptions under section 151(d)(1) and (2) of the
 9.9 Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal
 9.10 Revenue Code, and by the applicable percentage;

9.11 (ii) "applicable percentage" means two percentage points for each \$2,500 (or
 9.12 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable
 9.13 year exceeds the threshold amount. In the case of a married individual filing a separate
 9.14 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In
 9.15 no event shall the applicable percentage exceed 100 percent;

9.16 (iii) the term "threshold amount" means:

9.17 (A) \$150,000 in the case of a joint return or a surviving spouse;

9.18 (B) \$125,000 in the case of a head of a household;

9.19 (C) \$100,000 in the case of an individual who is not married and who is not a
 9.20 surviving spouse or head of a household; and

9.21 (D) \$75,000 in the case of a married individual filing a separate return; and

9.22 (iv) the thresholds shall be increased by an amount equal to:

9.23 (A) such dollar amount, multiplied by

9.24 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
 9.25 Revenue Code for the calendar year in which the taxable year begins, by substituting
 9.26 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; ~~and~~

9.27 (17) to the extent deducted in the computation of federal taxable income, for taxable
 9.28 years beginning after December 31, 2010, and before January 1, 2014, the difference
 9.29 between the standard deduction allowed under section 63(c) of the Internal Revenue Code
 9.30 and the standard deduction allowed for 2011, 2012, and 2013 under the Internal Revenue
 9.31 Code as amended through December 1, 2010; and

9.32 (18) the amount withdrawn by a participant in the Minnesota long-term care savings
 9.33 plan under section 16A.728, by a person who is not a qualified individual or for any
 9.34 reason other than a transfer of funds to a spouse, payment of long-term care expenses or
 9.35 long-term care insurance premiums, or the death of the participant, including withdrawals
 9.36 made by reason of cancellation of the participation agreement or termination of the plan.

10.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
10.2 December 31, 2014.

10.3 Sec. 3. Minnesota Statutes 2014, section 290.01, subdivision 19b, is amended to read:

10.4 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,
10.5 and trusts, there shall be subtracted from federal taxable income:

10.6 (1) net interest income on obligations of any authority, commission, or
10.7 instrumentality of the United States to the extent includable in taxable income for federal
10.8 income tax purposes but exempt from state income tax under the laws of the United States;

10.9 (2) if included in federal taxable income, the amount of any overpayment of income
10.10 tax to Minnesota or to any other state, for any previous taxable year, whether the amount
10.11 is received as a refund or as a credit to another taxable year's income tax liability;

10.12 (3) the amount paid to others, less the amount used to claim the credit allowed under
10.13 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
10.14 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
10.15 transportation of each qualifying child in attending an elementary or secondary school
10.16 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
10.17 resident of this state may legally fulfill the state's compulsory attendance laws, which
10.18 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
10.19 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
10.20 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
10.21 "textbooks" includes books and other instructional materials and equipment purchased
10.22 or leased for use in elementary and secondary schools in teaching only those subjects
10.23 legally and commonly taught in public elementary and secondary schools in this state.
10.24 Equipment expenses qualifying for deduction includes expenses as defined and limited in
10.25 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
10.26 books and materials used in the teaching of religious tenets, doctrines, or worship, the
10.27 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
10.28 or materials for, or transportation to, extracurricular activities including sporting events,
10.29 musical or dramatic events, speech activities, driver's education, or similar programs. No
10.30 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or
10.31 the qualifying child's vehicle to provide such transportation for a qualifying child. For
10.32 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
10.33 given in section 32(c)(3) of the Internal Revenue Code;

10.34 (4) income as provided under section 290.0802;

11.1 (5) to the extent included in federal adjusted gross income, income realized on
11.2 disposition of property exempt from tax under section 290.491;

11.3 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)
11.4 of the Internal Revenue Code in determining federal taxable income by an individual
11.5 who does not itemize deductions for federal income tax purposes for the taxable year, an
11.6 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
11.7 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,
11.8 under the provisions of Public Law 109-1 and Public Law 111-126;

11.9 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not
11.10 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
11.11 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
11.12 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
11.13 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
11.14 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed
11.15 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
11.16 the extent they exceed the federal foreign tax credit;

11.17 (8) in each of the five tax years immediately following the tax year in which an
11.18 addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a
11.19 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
11.20 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount
11.21 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,
11.22 clause (12), in the case of a shareholder of an S corporation, minus the positive value of
11.23 any net operating loss under section 172 of the Internal Revenue Code generated for the
11.24 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

11.25 (9) job opportunity building zone income as provided under section 469.316;

11.26 (10) to the extent included in federal taxable income, the amount of compensation
11.27 paid to members of the Minnesota National Guard or other reserve components of the
11.28 United States military for active service, including compensation for services performed
11.29 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
11.30 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
11.31 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
11.32 5b, and "active service" includes service performed in accordance with section 190.08,
11.33 subdivision 3;

11.34 (11) to the extent included in federal taxable income, the amount of compensation
11.35 paid to Minnesota residents who are members of the armed forces of the United States

12.1 or United Nations for active duty performed under United States Code, title 10; or the
12.2 authority of the United Nations;

12.3 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a
12.4 qualified donor's donation, while living, of one or more of the qualified donor's organs
12.5 to another person for human organ transplantation. For purposes of this clause, "organ"
12.6 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
12.7 "human organ transplantation" means the medical procedure by which transfer of a human
12.8 organ is made from the body of one person to the body of another person; "qualified
12.9 expenses" means unreimbursed expenses for both the individual and the qualified donor
12.10 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
12.11 may be subtracted under this clause only once; and "qualified donor" means the individual
12.12 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
12.13 individual may claim the subtraction in this clause for each instance of organ donation for
12.14 transplantation during the taxable year in which the qualified expenses occur;

12.15 (13) in each of the five tax years immediately following the tax year in which an
12.16 addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a
12.17 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
12.18 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the
12.19 case of a shareholder of a corporation that is an S corporation, minus the positive value of
12.20 any net operating loss under section 172 of the Internal Revenue Code generated for the
12.21 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
12.22 subtraction is not allowed under this clause;

12.23 (14) to the extent included in the federal taxable income of a nonresident of
12.24 Minnesota, compensation paid to a service member as defined in United States Code, title
12.25 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
12.26 Act, Public Law 108-189, section 101(2);

12.27 (15) to the extent included in federal taxable income, the amount of national service
12.28 educational awards received from the National Service Trust under United States Code,
12.29 title 42, sections 12601 to 12604, for service in an approved Americorps National Service
12.30 program;

12.31 (16) to the extent included in federal taxable income, discharge of indebtedness
12.32 income resulting from reacquisition of business indebtedness included in federal taxable
12.33 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
12.34 to the extent that the income was included in net income in a prior year as a result of the
12.35 addition under subdivision 19a, clause (13);

13.1 (17) the amount of the net operating loss allowed under section 290.095, subdivision
13.2 11, paragraph (c);

13.3 (18) the amount of expenses not allowed for federal income tax purposes due
13.4 to claiming the railroad track maintenance credit under section 45G(a) of the Internal
13.5 Revenue Code;

13.6 (19) the amount of the limitation on itemized deductions under section 68(b) of the
13.7 Internal Revenue Code;

13.8 (20) the amount of the phaseout of personal exemptions under section 151(d) of
13.9 the Internal Revenue Code; ~~and~~

13.10 (21) to the extent included in federal taxable income, the amount of qualified
13.11 transportation fringe benefits described in section 132(f)(1)(A) and (B) of the Internal
13.12 Revenue Code. The subtraction is limited to the lesser of the amount of qualified
13.13 transportation fringe benefits received in excess of the limitations under section
13.14 132(f)(2)(A) of the Internal Revenue Code for the year or the difference between the
13.15 maximum qualified parking benefits excludable under section 132(f)(2)(B) of the Internal
13.16 Revenue Code minus the amount of transit benefits excludable under section 132(f)(2)(A)
13.17 of the Internal Revenue Code; and

13.18 (22) to the extent not deducted in determining federal taxable income, an amount
13.19 equal to contributions made to the Minnesota long-term care savings plan under section
13.20 16A.728, up to a maximum of \$2,000 for married individuals filing joint returns and
13.21 \$1,000 for any other return, and any investment earnings made as a participant in the
13.22 Minnesota long-term care savings plan.

13.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
13.24 December 31, 2014.

13.25 Sec. 4. **[290.0693] CREDIT FOR ADDITIONAL FEDERAL TAX ON**
13.26 **RETIREMENT PLAN WITHDRAWALS USED FOR LONG-TERM CARE**
13.27 **EXPENSES.**

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

13.30 (b) "Additional federal tax" means the tax imposed under section 72(t) of the Internal
13.31 Revenue Code on early withdrawals from qualified retirement plans.

13.32 (c) "Qualified long-term care expenses" means amounts paid for qualified long-term
13.33 care services, as defined in section 7702B(c) of the Internal Revenue Code, plus amounts
13.34 paid for a qualified long-term care insurance contract, as defined in section 7702B(b) of
13.35 the Internal Revenue Code.

14.1 (d) "Qualified retirement plans" has the meaning given in section 4974(c) of the
14.2 Internal Revenue Code.

14.3 Subd. 2. **Credit allowed.** (a) An individual is allowed a credit against the tax due
14.4 under this chapter equal to the additional federal tax paid during the taxable year on
14.5 early withdrawals from qualified retirement plans, provided the withdrawals are used for
14.6 qualified long-term care expenses.

14.7 (b) For a nonresident or part-year resident, the credit must be allocated based on the
14.8 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

14.9 Subd. 3. **Credit refundable; appropriation.** (a) If the credit allowed under this
14.10 section exceeds the individual's liability under this chapter, the commissioner shall refund
14.11 the excess to the taxpayer.

14.12 (b) An amount sufficient to pay the refunds required by this section is appropriated
14.13 from the general fund to the commissioner.

14.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
14.15 December 31, 2014.

14.16 Sec. 5. Minnesota Statutes 2014, section 290.091, subdivision 2, is amended to read:

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

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

14.21 (1) the taxpayer's federal alternative minimum taxable income as defined in section
14.22 55(b)(2) of the Internal Revenue Code;

14.23 (2) the taxpayer's itemized deductions allowed in computing federal alternative
14.24 minimum taxable income, but excluding:

14.25 (i) the charitable contribution deduction under section 170 of the Internal Revenue
14.26 Code;

14.27 (ii) the medical expense deduction;

14.28 (iii) the casualty, theft, and disaster loss deduction; and

14.29 (iv) the impairment-related work expenses of a disabled person;

14.30 (3) for depletion allowances computed under section 613A(c) of the Internal
14.31 Revenue Code, with respect to each property (as defined in section 614 of the Internal
14.32 Revenue Code), to the extent not included in federal alternative minimum taxable income,
14.33 the excess of the deduction for depletion allowable under section 611 of the Internal
14.34 Revenue Code for the taxable year over the adjusted basis of the property at the end of the
14.35 taxable year (determined without regard to the depletion deduction for the taxable year);

15.1 (4) to the extent not included in federal alternative minimum taxable income, the
15.2 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the
15.3 Internal Revenue Code determined without regard to subparagraph (E);

15.4 (5) to the extent not included in federal alternative minimum taxable income, the
15.5 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

15.6 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)
15.7 to (9), and (11) to (14);

15.8 less the sum of the amounts determined under the following:

15.9 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

15.10 (2) an overpayment of state income tax as provided by section 290.01, subdivision
15.11 19b, clause (2), to the extent included in federal alternative minimum taxable income;

15.12 (3) the amount of investment interest paid or accrued within the taxable year on
15.13 indebtedness to the extent that the amount does not exceed net investment income, as
15.14 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
15.15 amounts deducted in computing federal adjusted gross income;

15.16 (4) amounts subtracted from federal taxable income as provided by section 290.01,
15.17 subdivision 19b, clauses (6), (8) to (14), (16), ~~and (21)~~, and (22); and

15.18 (5) the amount of the net operating loss allowed under section 290.095, subdivision
15.19 11, paragraph (c).

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

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

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

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

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

15.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
15.31 December 31, 2014.

APPENDIX
Article locations in 15-1307

ARTICLE 1 LONG-TERM CARE WORKFORCE DEVELOPMENT POLICY Page.Ln 1.11
ARTICLE 2 LONG-TERM CARE TAX POLICY Page.Ln 4.10