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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 866

02/07/2019 Authored by Loeffler; Gomez; Carlson, L.; Schultz and Brand
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; providing a subtraction for income from
1.3 certain public pension plans; amending Minnesota Statutes 2018, sections 290.0132,
1.4 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 2018, section 290.0132, is amended by adding a subdivision
1.7 to read:

1.8 Subd. 27. Public pension income. (a) An amount of an annuity or benefit defined in
1.9 paragraph (b), subject to the limitations in paragraph (c), is a subtraction.

1.10 (b) For purposes of this subdivision, the following definitions apply:

1.11 (1) "annuity or benefit" means any amount received:

1.12 (i) by a basic member of any pension plan governed by chapter 3A, 352B, 353, 354, or
1.13 354A, or the basic member's survivor, provided that the annuity or benefit is based on service
1.14 for which the member or survivor is not also receiving Social Security benefits;

1.15 (ii) from any retirement system administered by the federal government that is based on
1.16 service for which the recipient or the recipient's survivor is not also receiving Social Security
1.17 benefits; or

1.18 (iii) from a public retirement system of or created by another state or any of its political
1.19 subdivisions if the income tax laws of the other state permit a similar deduction or exemption
1.20 or a reciprocal deduction or exemption of a retirement or pension benefit received from a
1.21 public retirement system of or created by this state or any political subdivision of this state;
1.22 and

2.1 (2) "modified adjusted gross income" has the meaning given in section 86(b)(2) of the
2.2 Internal Revenue Code.

2.3 (c) The subtraction under paragraph (a) equals:

2.4 (1) 100 percent of the annuity or benefit amount if the sum of modified adjusted gross
2.5 income and one-half the annual amount of annuity or benefit received is less than (i) \$34,001
2.6 for married couples filing a joint return; and (ii) \$25,001 for individual or head of household
2.7 filers, or married couples filing separately who maintained separate residences for all of the
2.8 taxable year;

2.9 (2) the lesser of:

2.10 (i) 50 percent of the annuity or benefit amount; or

2.11 (ii) 50 percent of the amount by which the sum of modified adjusted gross income plus
2.12 one half of the annuity or benefit amount exceeds:

2.13 (A) \$34,000 for married couples filing a joint return; or

2.14 (B) \$25,000 for individual or head of household filers, or married couples filing separately
2.15 who maintained separate residences for all of the taxable year.

2.16 This clause applies only if the sum of modified adjusted gross income and one-half the
2.17 annual amount of annuity or pension benefits is more than (i) \$34,000 but less than \$44,001
2.18 for married couples filing a joint return; and (ii) \$25,000 but less than \$32,001 for individual
2.19 or head of household filers, or married couples filing separately who maintained separate
2.20 residences for all of the taxable year; or

2.21 (3) the lesser of:

2.22 (i) 15 percent of the annuity or benefit amount; or

2.23 (ii) 15 percent of the amount by which the sum of modified adjusted gross income plus
2.24 one half of the annuity or benefit amount exceeds:

2.25 (A) \$44,000 for married couples filing a joint return; and

2.26 (B) \$32,000 for individual or head of household filers, or married couples filing separately
2.27 who maintained separate residences for all of the taxable year.

2.28 This clause applies only if the sum of modified adjusted gross income and one-half the
2.29 annual amount of annuity or pension benefits is more than (i) \$44,000 for married couples
2.30 filing a joint return; and (ii) \$32,000 for individual or head of household filers, or married
2.31 couples filing separately who maintained separate residences for all of the taxable year.

3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.2 31, 2018.

3.3 Sec. 2. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

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

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

3.8 (1) the taxpayer's federal alternative minimum taxable income as defined in section
3.9 55(b)(2) of the Internal Revenue Code;

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

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

3.13 (ii) the medical expense deduction;

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

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

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

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

3.25 (5) to the extent not included in federal alternative minimum taxable income, the amount
3.26 of interest income as provided by section 290.0131, subdivision 2; and

3.27 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

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

3.29 (i) interest income as defined in section 290.0132, subdivision 2;

4.1 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
4.2 3, to the extent included in federal alternative minimum taxable income;

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

4.7 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,
4.8 subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26,~~ and 27; and

4.9 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
4.10 paragraph (c).

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

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

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

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

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

4.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.22 31, 2018.