

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 25

(SENATE AUTHORS: REST, Klein, Weber, Nelson and Dibble)

DATE	D-PG	OFFICIAL STATUS
01/04/2023	75	Introduction and first reading Referred to Taxes
01/09/2023		Comm report: To pass as amended Second reading Authors added Nelson; Dibble

1.1 A bill for an act

1.2 relating to taxation; individual income and corporate franchise; providing for

1.3 certain conformity to federal tax provisions; amending Minnesota Statutes 2022,

1.4 sections 289A.02, subdivision 7; 290.01, by adding a subdivision; 290.0123,

1.5 subdivision 3; 290.0131, by adding a subdivision; 290.0132, subdivisions 18, 24,

1.6 by adding a subdivision; 290.0133, by adding a subdivision; 290.0134, by adding

1.7 a subdivision; 290.0671, subdivision 1a; 290.0675, subdivision 1; 290.091,

1.8 subdivision 2; 290.095, subdivision 11; 290A.03, subdivision 15; 291.005,

1.9 subdivision 1; Minnesota Statutes 2023 Supplement, sections 289A.08, subdivision

1.10 7; 290.01, subdivisions 19, 31; 290.06, subdivision 2c.

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

1.12 Section 1. Minnesota Statutes 2022, section 289A.02, subdivision 7, is amended to read:

1.13 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal

1.14 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~

1.15 ~~31, 2018~~ December 15, 2022.

1.16 **EFFECTIVE DATE.** This section is effective the day following final enactment, except

1.17 the changes incorporated by federal changes are effective retroactively at the same time the

1.18 changes were effective for federal purposes.

1.19 Sec. 2. Minnesota Statutes 2022, section 289A.08, subdivision 7, is amended to read:

1.20 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**

1.21 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to

1.22 file a composite return and to pay the tax on behalf of nonresident partners who have no

1.23 other Minnesota source income. This composite return must include the names, addresses,

2.1 Social Security numbers, income allocation, and tax liability for the nonresident partners
2.2 electing to be covered by the composite return.

2.3 (b) The computation of a partner's tax liability must be determined by multiplying the
2.4 income allocated to that partner by the highest rate used to determine the tax liability for
2.5 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
2.6 deductions, or personal exemptions are not allowed.

2.7 (c) The partnership must submit a request to use this composite return filing method for
2.8 nonresident partners. The requesting partnership must file a composite return in the form
2.9 prescribed by the commissioner of revenue. The filing of a composite return is considered
2.10 a request to use the composite return filing method.

2.11 (d) The electing partner must not have any Minnesota source income other than the
2.12 income from the partnership, other electing partnerships, and other qualifying entities
2.13 electing to file and pay the pass-through entity tax under subdivision 7a. If it is determined
2.14 that the electing partner has other Minnesota source income, the inclusion of the income
2.15 and tax liability for that partner under this provision will not constitute a return to satisfy
2.16 the requirements of subdivision 1. The tax paid for the individual as part of the composite
2.17 return is allowed as a payment of the tax by the individual on the date on which the composite
2.18 return payment was made. If the electing nonresident partner has no other Minnesota source
2.19 income, filing of the composite return is a return for purposes of subdivision 1.

2.20 (e) This subdivision does not negate the requirement that an individual pay estimated
2.21 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
2.22 The individual's liability to pay estimated tax is, however, satisfied when the partnership
2.23 pays composite estimated tax in the manner prescribed in section 289A.25.

2.24 (f) If an electing partner's share of the partnership's gross income from Minnesota sources
2.25 is less than the filing requirements for a nonresident under this subdivision, the tax liability
2.26 is zero. However, a statement showing the partner's share of gross income must be included
2.27 as part of the composite return.

2.28 (g) The election provided in this subdivision is only available to a partner who has no
2.29 other Minnesota source income and who is either (1) a full-year nonresident individual or
2.30 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the
2.31 Internal Revenue Code.

2.32 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
2.33 make an election under this paragraph. The provisions covering the partnership apply to
2.34 the corporation and the provisions applying to the partner apply to the shareholder.

3.1 (i) Estates and trusts distributing current income only and the nonresident individual
3.2 beneficiaries of the estates or trusts may make an election under this paragraph. The
3.3 provisions covering the partnership apply to the estate or trust. The provisions applying to
3.4 the partner apply to the beneficiary.

3.5 (j) For the purposes of this subdivision, "income" means the partner's share of federal
3.6 adjusted gross income from the partnership modified by the additions provided in section
3.7 290.0131, subdivisions 8 to 10, 16, ~~and 17~~, and 19, and the subtractions provided in: (1)
3.8 section 290.0132, subdivisions 9, 27, and 28, to the extent the amount is assignable or
3.9 allocable to Minnesota under section 290.17; and (2) section 290.0132, ~~subdivision~~
3.10 subdivisions 14 and 31. The subtraction allowed under section 290.0132, subdivision 9, is
3.11 only allowed on the composite tax computation to the extent the electing partner would
3.12 have been allowed the subtraction.

3.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.14 31, 2021.

3.15 Sec. 3. Minnesota Statutes 2022, section 290.01, subdivision 19, is amended to read:

3.16 Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a
3.17 corporation taxable under section 290.02, the term "net income" means the federal taxable
3.18 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through
3.19 the date named in this subdivision, incorporating the federal effective dates of changes to
3.20 the Internal Revenue Code and any elections made by the taxpayer in accordance with the
3.21 Internal Revenue Code in determining federal taxable income for federal income tax
3.22 purposes, and with the modifications provided in sections 290.0131 to 290.0136.

3.23 (b) For an individual, the term "net income" means federal adjusted gross income with
3.24 the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

3.25 (c) In the case of a regulated investment company or a fund thereof, as defined in section
3.26 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
3.27 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
3.28 except that:

3.29 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
3.30 Revenue Code does not apply;

3.31 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue
3.32 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest

4.1 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;
4.2 and

4.3 (3) the deduction for dividends paid must also be applied in the amount of any
4.4 undistributed capital gains ~~which~~ that the regulated investment company elects to have
4.5 treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

4.6 (d) The net income of a real estate investment trust as defined and limited by section
4.7 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
4.8 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

4.9 (e) The net income of a designated settlement fund as defined in section 468B(d) of the
4.10 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal
4.11 Revenue Code.

4.12 (f) The Internal Revenue Code of 1986, as amended through ~~December 31, 2018~~
4.13 December 15, 2022, applies for taxable years beginning after December 31, 1996, ~~except~~
4.14 ~~the sections of federal law in section 290.0111 shall also apply.~~

4.15 (g) Except as otherwise provided, references to the Internal Revenue Code in this
4.16 subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of
4.17 determining net income for the applicable year.

4.18 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
4.19 the changes incorporated by federal changes are effective retroactively at the same time the
4.20 changes were effective for federal purposes.

4.21 Sec. 4. Minnesota Statutes 2022, section 290.01, subdivision 31, is amended to read:

4.22 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
4.23 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
4.24 ~~31, 2018, except the sections of federal law in section 290.0111 shall also apply~~ December
4.25 15, 2022. Internal Revenue Code also includes any uncodified provision in federal law that
4.26 relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

4.27 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
4.28 the changes incorporated by federal changes are effective retroactively at the same time the
4.29 changes were effective for federal purposes.

5.1 Sec. 5. Minnesota Statutes 2022, section 290.01, is amended by adding a subdivision to
5.2 read:

5.3 Subd. 33. **Earned income.** "Earned income" means earned income, as defined in section
5.4 32(c) of the Internal Revenue Code.

5.5 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
5.6 after December 31, 2017.

5.7 Sec. 6. Minnesota Statutes 2022, section 290.0123, subdivision 3, is amended to read:

5.8 Subd. 3. **Amount for dependents.** For an individual who is a dependent, as defined in
5.9 sections 151 and 152 of the Internal Revenue Code, of another taxpayer for a taxable year
5.10 beginning in the calendar year in which the individual's taxable year begins, the standard
5.11 deduction for that individual is limited to the greater of:

5.12 (1) \$1,100; or

5.13 (2) the lesser of (i) the sum of \$350 and that individual's earned income, ~~as defined in~~
5.14 ~~section 32(e) of the Internal Revenue Code~~ for the taxable year; or (ii) the standard deduction
5.15 amount allowed under subdivision 1, clause (3).

5.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
5.17 after December 31, 2017.

5.18 Sec. 7. Minnesota Statutes 2022, section 290.0131, is amended by adding a subdivision
5.19 to read:

5.20 Subd. 19. **Meal expenses.** The amount of meal expenses in excess of the 50 percent
5.21 limitation under section 274(n)(1) of the Internal Revenue Code allowed under subsection
5.22 (n), paragraph (2), subparagraph (D), of that section is an addition.

5.23 **EFFECTIVE DATE.** This section is effective retroactively for amounts paid or incurred
5.24 after December 31, 2020.

5.25 Sec. 8. Minnesota Statutes 2022, section 290.0132, subdivision 18, is amended to read:

5.26 Subd. 18. **Net operating losses.** (a) The amount of the net operating loss allowed under
5.27 section 290.095, subdivision 11, paragraph (c), is a subtraction.

5.28 (b) The unused portion of a net operating loss carryover under section 290.095,
5.29 subdivision 11, paragraph (d), is a subtraction. The subtraction is the lesser of:

6.1 (1) the amount carried into the taxable year minus any subtraction made under this
 6.2 section for prior taxable years; or

6.3 (2) 80 percent of Minnesota taxable net income in a single taxable year and determined
 6.4 without regard to this subtraction.

6.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 6.6 31, 2021.

6.7 Sec. 9. Minnesota Statutes 2022, section 290.0132, subdivision 24, is amended to read:

6.8 Subd. 24. **Discharge of indebtedness; education loans.** (a) The amount equal to the
 6.9 discharge of indebtedness of a qualified student loan of the taxpayer is a subtraction ~~if:~~

6.10 (b) For the purposes of this subdivision, "qualified student loan" means:

6.11 (1) any loan provided expressly for postsecondary educational expenses, regardless of
 6.12 whether provided through the educational institution or directly to the borrower, if the loan
 6.13 was made, insured, or guaranteed by:

6.14 (i) the United States, or an instrumentality or agency thereof;

6.15 (ii) a state, territory, or possession of the United States, or the District of Columbia, or
 6.16 any political subdivision thereof; or

6.17 (iii) an eligible educational institution, as defined in section 25A(f)(2) of the Internal
 6.18 Revenue Code;

6.19 (2) any private education loan, as defined in section 140(a)(7) of the federal Truth in
 6.20 Lending Act;

6.21 (3) any loan made by any educational organization described in section 170(b)(1)(A)(ii)
 6.22 of the Internal Revenue Code, if the loan is made:

6.23 (i) pursuant to an agreement with any entity described in subitem (A) or any private
 6.24 education lender, as defined in section 140(a) of the Truth in Lending Act, under which the
 6.25 funds from which the loan was made were provided to the educational organization; or

6.26 (ii) pursuant to a program of the educational organization that is designed to encourage
 6.27 its students to serve in occupations with unmet needs or in areas with unmet needs and under
 6.28 which the services provided by the students or former students are for or under the direction
 6.29 of a governmental unit or an organization described in section 501(c)(3) of the Internal
 6.30 Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code; or

7.1 (4) any loan made by an educational organization described in section 170(b)(1)(A)(ii)
 7.2 of the Internal Revenue Code or by an organization exempt from tax under section 501(a)
 7.3 of the Internal Revenue Code to refinance a loan to an individual to assist the individual in
 7.4 attending the educational organization but only if the refinancing loan is pursuant to a
 7.5 program of the refinancing organization that is designed as described in clause (3), item
 7.6 (ii).

7.7 (c) A discharge of indebtedness is ineligible for the subtraction under paragraph (a) if
 7.8 the discharge of a loan made by an organization described in paragraph (b), clause (3), or
 7.9 made by a private education lender as defined in section 140(a)(7) of the Truth in Lending
 7.10 Act if the discharge is on account of services performed for either the organization or for
 7.11 the private education lender.

7.12 ~~(1) the indebtedness discharged is a qualified education loan; and~~

7.13 ~~(2) the indebtedness was discharged under section 136A.1791, or following the taxpayer's~~
 7.14 ~~completion of an income-driven repayment plan.~~

7.15 ~~(b) For the purposes of this subdivision, "qualified education loan" has the meaning~~
 7.16 ~~given in section 221 of the Internal Revenue Code.~~

7.17 ~~(e) For purposes of this subdivision, "income-driven repayment plan" means a payment~~
 7.18 ~~plan established by the United States Department of Education that sets monthly student~~
 7.19 ~~loan payments based on income and family size under United States Code, title 20, section~~
 7.20 ~~1087e, or similar authority and specifically includes, but is not limited to:~~

7.21 (d) "Qualified student loan" includes but is not limited to a loan discharged under:

7.22 (1) the income-based repayment plan under United States Code, title 20, section 1098e;

7.23 (2) the income contingent repayment plan established under United States Code, title
 7.24 20, section 1087e, subsection (e); ~~and~~

7.25 (3) the PAYE program or REPAYE program established by the Department of Education
 7.26 under administrative regulations; and

7.27 (4) section 136A.1791.

7.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 7.29 31, 2022.

8.1 Sec. 10. Minnesota Statutes 2022, section 290.0132, subdivision 24, is amended to read:

8.2 Subd. 24. **Discharge of indebtedness; education loans.** (a) The amount equal to the
8.3 discharge of indebtedness of a qualified student loan of the taxpayer is a subtraction ~~if:~~

8.4 (b) For the purposes of this subdivision, "qualified student loan" means a loan eligible
8.5 for the exclusion from gross income under section 9675 of Public Law 117-2, the American
8.6 Rescue Plan Act, except disregarding the portions of that section limiting the exclusion to
8.7 discharges after December 31, 2020, and before January 1, 2026.

8.8 ~~(1) the indebtedness discharged is a qualified education loan; and~~

8.9 ~~(2) the indebtedness was discharged under section 136A.1791, or following the taxpayer's~~
8.10 ~~completion of an income-driven repayment plan.~~

8.11 ~~(b) For the purposes of this subdivision, "qualified education loan" has the meaning~~
8.12 ~~given in section 221 of the Internal Revenue Code.~~

8.13 ~~(c) For purposes of this subdivision, "income-driven repayment plan" means a payment~~
8.14 ~~plan established by the United States Department of Education that sets monthly student~~
8.15 ~~loan payments based on income and family size under United States Code, title 20, section~~
8.16 ~~1087e, or similar authority and specifically includes, but is not limited to:~~

8.17 (c) "Qualified student loan" includes but is not limited to a loan discharged under:

8.18 (1) the income-based repayment plan under United States Code, title 20, section 1098e;

8.19 (2) the income contingent repayment plan established under United States Code, title
8.20 20, section 1087e, subsection (e); ~~and~~

8.21 (3) the PAYE program or REPAYE program established by the Department of Education
8.22 under administrative regulations; and

8.23 (4) section 136A.1791.

8.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.25 31, 2022.

8.26 Sec. 11. Minnesota Statutes 2022, section 290.0132, is amended by adding a subdivision
8.27 to read:

8.28 Subd. 31. **Delayed business interest.** For each of the five taxable years beginning after
8.29 December 31, 2021, there is allowed a subtraction equal to one-fifth of the adjustment
8.30 amount, to the extent not already deducted, for the exclusion under section 18, subdivision

9.1 3, clause (10), due to the Coronavirus Aid, Relief and Economic Security Act, Public Law
9.2 116-136, section 2306.

9.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.4 31, 2021.

9.5 Sec. 12. Minnesota Statutes 2022, section 290.0133, is amended by adding a subdivision
9.6 to read:

9.7 Subd. 15. **Meal expenses.** The amount of meal expenses in excess of the 50 percent
9.8 limitation under section 274(n)(1) of the Internal Revenue Code allowed under section
9.9 274(n)(2)(D) of the Internal Revenue Code is an addition.

9.10 **EFFECTIVE DATE.** This section is effective retroactively for amounts paid or incurred
9.11 after December 31, 2020.

9.12 Sec. 13. Minnesota Statutes 2022, section 290.0134, is amended by adding a subdivision
9.13 to read:

9.14 Subd. 20. **Delayed business interest.** For each of the five taxable years beginning after
9.15 December 31, 2021, there is allowed a subtraction equal to one-fifth of the adjustment
9.16 amount, to the extent not already deducted, for the exclusion under section 18, subdivision
9.17 3, clause (10), due to the Coronavirus Aid, Relief and Economic Security Act, Public Law
9.18 116-136, section 2306.

9.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.20 31, 2021.

9.21 Sec. 14. Minnesota Statutes 2022, section 290.06, subdivision 2c, is amended to read:

9.22 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes
9.23 imposed by this chapter upon married individuals filing joint returns and surviving spouses
9.24 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to
9.25 their taxable net income the following schedule of rates:

9.26 (1) On the first \$38,770, 5.35 percent;

9.27 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;

9.28 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;

9.29 (4) On all over \$269,010, 9.85 percent.

10.1 Married individuals filing separate returns, estates, and trusts must compute their income
10.2 tax by applying the above rates to their taxable income, except that the income brackets
10.3 will be one-half of the above amounts after the adjustment required in subdivision 2d.

10.4 (b) The income taxes imposed by this chapter upon unmarried individuals must be
10.5 computed by applying to taxable net income the following schedule of rates:

10.6 (1) On the first \$26,520, 5.35 percent;

10.7 (2) On all over \$26,520, but not over \$87,110, 6.8 percent;

10.8 (3) On all over \$87,110, but not over \$161,720, 7.85 percent;

10.9 (4) On all over \$161,720, 9.85 percent.

10.10 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as
10.11 a head of household as defined in section 2(b) of the Internal Revenue Code must be
10.12 computed by applying to taxable net income the following schedule of rates:

10.13 (1) On the first \$32,650, 5.35 percent;

10.14 (2) On all over \$32,650, but not over \$131,190, 6.8 percent;

10.15 (3) On all over \$131,190, but not over \$214,980, 7.85 percent;

10.16 (4) On all over \$214,980, 9.85 percent.

10.17 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
10.18 of any individual taxpayer whose taxable net income for the taxable year is less than an
10.19 amount determined by the commissioner must be computed in accordance with tables
10.20 prepared and issued by the commissioner of revenue based on income brackets of not more
10.21 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
10.22 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
10.23 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

10.24 (e) An individual who is not a Minnesota resident for the entire year must compute the
10.25 individual's Minnesota income tax as provided in this subdivision. After the application of
10.26 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied
10.27 by a fraction in which:

10.28 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
10.29 defined in section 62 of the Internal Revenue Code and increased by:

10.30 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~
10.31 17, and 19, and 290.0137, paragraph (a); and reduced by

11.1 (ii) the Minnesota assignable portion of the subtraction for United States government
 11.2 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,
 11.3 subdivisions 9, 10, 14, 15, 17, 18, ~~and 27,~~ and 31, and 290.0137, paragraph (c), after applying
 11.4 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

11.5 (2) the denominator is the individual's federal adjusted gross income as defined in section
 11.6 62 of the Internal Revenue Code, increased by:

11.7 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~
 11.8 17, and 19, and 290.0137, paragraph (a); and reduced by

11.9 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, ~~and~~
 11.10 27, and 31, and 290.0137, paragraph (c).

11.11 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
 11.12 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision
 11.13 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
 11.14 provided in paragraph (e), and also must include, to the extent attributed to the electing
 11.15 qualifying entity:

11.16 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the
 11.17 addition under section 290.0131, subdivision 5; and

11.18 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the
 11.19 subtraction under section 290.0132, subdivision 3.

11.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.21 31, 2021.

11.22 Sec. 15. Minnesota Statutes 2022, section 290.0671, subdivision 1a, is amended to read:

11.23 Subd. 1a. **Definitions.** For purposes of this section, the following terms "qualifying
 11.24 child," and "earned income," have the meanings given ~~in section 32(e) of the Internal~~
 11.25 ~~Revenue Code, and the term "adjusted gross income" has the meaning given in section 62~~
 11.26 ~~of the Internal Revenue Code.:~~

11.27 "Earned income of the lesser-earning spouse" has the meaning given in section 290.0675,
 11.28 ~~subdivision 1, paragraph (d).~~

11.29 (1) "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue
 11.30 Code; and

11.31 (2) "earned income of the lesser earning spouse" has the meaning given in section
 11.32 290.0675, subdivision 1, paragraph (d).

12.1 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 12.2 after December 31, 2017.

12.3 Sec. 16. Minnesota Statutes 2022, section 290.0675, subdivision 1, is amended to read:

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

12.6 (b) "Earned income" means the sum of the following, to the extent included in Minnesota
 12.7 taxable income:

12.8 (1) ~~the taxpayer's earned income as defined in section 32(e)(2) of the Internal Revenue~~
 12.9 ~~Code~~ for the taxable year;

12.10 (2) income received from a retirement pension, profit-sharing, stock bonus, or annuity
 12.11 plan; and

12.12 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

12.13 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

12.14 (d) "Earned income of lesser-earning spouse" means the earned income of the spouse
 12.15 with the lesser amount of earned income as defined in paragraph (b) for the taxable year
 12.16 minus one-half the amount of the standard deduction under section 290.0123, subdivision
 12.17 1, clause (1).

12.18 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 12.19 after December 31, 2017.

12.20 Sec. 17. Minnesota Statutes 2022, section 290.091, subdivision 2, is amended to read:

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

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

12.25 (1) the taxpayer's federal alternative minimum taxable income as defined in section
 12.26 55(b)(2) of the Internal Revenue Code;

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

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

12.30 (ii) the medical expense deduction;

- 13.1 (iii) the casualty, theft, and disaster loss deduction; and
- 13.2 (iv) the impairment-related work expenses of a person with a disability;
- 13.3 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
13.4 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
13.5 to the extent not included in federal alternative minimum taxable income, the excess of the
13.6 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
13.7 taxable year over the adjusted basis of the property at the end of the taxable year (determined
13.8 without regard to the depletion deduction for the taxable year);
- 13.9 (4) to the extent not included in federal alternative minimum taxable income, the amount
13.10 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
13.11 Code determined without regard to subparagraph (E);
- 13.12 (5) to the extent not included in federal alternative minimum taxable income, the amount
13.13 of interest income as provided by section 290.0131, subdivision 2;
- 13.14 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, ~~and 16,~~ and
13.15 19;
- 13.16 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent
13.17 not included in the addition required under clause (6); and
- 13.18 (8) to the extent not included in federal alternative minimum taxable income, the amount
13.19 of foreign-derived intangible income deducted under section 250 of the Internal Revenue
13.20 Code;
- 13.21 less the sum of the amounts determined under the following:
- 13.22 (i) interest income as defined in section 290.0132, subdivision 2;
- 13.23 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
13.24 3, to the extent included in federal alternative minimum taxable income;
- 13.25 (iii) the amount of investment interest paid or accrued within the taxable year on
13.26 indebtedness to the extent that the amount does not exceed net investment income, as defined
13.27 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
13.28 in computing federal adjusted gross income;
- 13.29 (iv) amounts subtracted from federal taxable or adjusted gross income as provided by
13.30 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26 to ~~29~~ 33;
- 13.31 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
13.32 ~~paragraph~~ paragraphs (c) and (d); and

14.1 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0122,
14.2 subdivision 7.

14.3 In the case of an estate or trust, alternative minimum taxable income must be computed
14.4 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum
14.5 taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

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

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

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

14.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
14.15 31, 2021.

14.16 Sec. 18. Minnesota Statutes 2022, section 290.095, subdivision 11, is amended to read:

14.17 Subd. 11. **Carryback or carryover adjustments.** (a) Except as provided in paragraph
14.18 (c), for individuals, estates, and trusts the amount of a net operating loss that may be carried
14.19 back or carried over shall be the same dollar amount allowable in the determination of
14.20 federal taxable income, provided that, notwithstanding any other provision, estates and
14.21 trusts must apply the following adjustments to the amount of the net operating loss that may
14.22 be carried back or carried over:

14.23 (1) Nonassignable income or losses as required by section 290.17.

14.24 (2) Deductions not allocable to Minnesota under section 290.17.

14.25 (b) The net operating loss carryback or carryover applied as a deduction in the taxable
14.26 year to which the net operating loss is carried back or carried over shall be equal to the net
14.27 operating loss carryback or carryover applied in the taxable year in arriving at federal taxable
14.28 income provided that trusts and estates must apply the following modifications:

14.29 (1) Increase the amount of carryback or carryover applied in the taxable year by the
14.30 amount of losses and interest, taxes and other expenses not assignable or allowable to
14.31 Minnesota incurred in the taxable year.

15.1 (2) Decrease the amount of carryback or carryover applied in the taxable year by the
15.2 amount of income not assignable to Minnesota earned in the taxable year. For estates and
15.3 trusts, the net operating loss carryback or carryover to the next consecutive taxable year
15.4 shall be the net operating loss carryback or carryover as calculated in clause (b) less the
15.5 amount applied in the earlier taxable year(s). No additional net operating loss carryback or
15.6 carryover shall be allowed to estates and trusts if the entire amount has been used to offset
15.7 Minnesota income in a year earlier than was possible on the federal return. However, if a
15.8 net operating loss carryback or carryover was allowed to offset federal income in a year
15.9 earlier than was possible on the Minnesota return, an estate or trust shall still be allowed to
15.10 offset Minnesota income but only if the loss was assignable to Minnesota in the year the
15.11 loss occurred.

15.12 (c) This paragraph does not apply to eligible small businesses that make a valid election
15.13 to carry back their losses for federal purposes under section 172(b)(1)(H) of the Internal
15.14 Revenue Code as amended through March 31, 2009.

15.15 (1) A net operating loss of an individual, estate, or trust that is allowed under this
15.16 subdivision and for which the taxpayer elects to carry back for more than two years under
15.17 section 172(b)(1)(H) of the Internal Revenue Code is a net operating loss carryback to each
15.18 of the two taxable years preceding the loss, and unused portions may be carried forward for
15.19 20 taxable years after the loss.

15.20 (2) The entire amount of the net operating loss for any taxable year must be carried to
15.21 the earliest of the taxable years to which the loss may be carried. The portion of the loss
15.22 ~~which~~ that may be carried to each of the other taxable years is the excess, if any, of the
15.23 amount of the loss over the greater of the taxable net income or alternative minimum taxable
15.24 income for each of the taxable years to which the loss may be carried.

15.25 (d) For net operating loss carryovers or carrybacks arising in taxable years beginning
15.26 after December 31, 2017, and before January 1, 2021, a net operating loss carryover or
15.27 carryback is allowed as provided in the Internal Revenue Code as amended through December
15.28 31, 2018, as follows:

15.29 (1) the entire amount of the net operating loss, to the extent not already deducted, must
15.30 be carried to the earliest taxable year and any unused portion may be carried forward for
15.31 20 taxable years after the loss; and

15.32 (2) the portion of the loss that may be carried to each of the other taxable years is the
15.33 excess, if any, of the amount of the loss over the greater of the taxable net income or

16.1 alternative minimum taxable income for each of the taxable years to which the loss may be
 16.2 carried.

16.3 **EFFECTIVE DATE.** This section is effective retroactively for losses arising in taxable
 16.4 years beginning after December 31, 2017, and before January 1, 2021.

16.5 Sec. 19. Minnesota Statutes 2022, section 290A.03, subdivision 15, is amended to read:

16.6 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
 16.7 Code of 1986, as amended through ~~December 31, 2018~~ December 15, 2022.

16.8 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property
 16.9 taxes payable in 2023 and rent paid in 2022 and thereafter.

16.10 Sec. 20. Minnesota Statutes 2022, section 291.005, subdivision 1, is amended to read:

16.11 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms
 16.12 used in this chapter shall have the following meanings:

16.13 (1) "Commissioner" means the commissioner of revenue or any person to whom the
 16.14 commissioner has delegated functions under this chapter.

16.15 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued
 16.16 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,
 16.17 increased by the value of any property in which the decedent had a qualifying income interest
 16.18 for life and for which an election was made under section 291.03, subdivision 1d, for
 16.19 Minnesota estate tax purposes, but was not made for federal estate tax purposes.

16.20 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,
 16.21 as amended through ~~December 31, 2018~~ March 15, 2022.

16.22 (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
 16.23 excluding therefrom any property included in the estate ~~which~~ that has its situs outside
 16.24 Minnesota, and (b) including any property omitted from the federal gross estate ~~which~~ that
 16.25 is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing
 16.26 authorities.

16.27 (5) "Nonresident decedent" means an individual whose domicile at the time of death
 16.28 was not in Minnesota.

16.29 (6) "Personal representative" means the executor, administrator or other person appointed
 16.30 by the court to administer and dispose of the property of the decedent. If there is no executor,
 16.31 administrator or other person appointed, qualified, and acting within this state, then any

17.1 person in actual or constructive possession of any property having a situs in this state ~~which~~
17.2 that is included in the federal gross estate of the decedent shall be deemed to be a personal
17.3 representative to the extent of the property and the Minnesota estate tax due with respect
17.4 to the property.

17.5 (7) "Resident decedent" means an individual whose domicile at the time of death was
17.6 in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply
17.7 to determinations of domicile under this chapter.

17.8 (8) "Situs of property" means, with respect to:

17.9 (i) real property, the state or country in which it is located;

17.10 (ii) tangible personal property, the state or country in which it was normally kept or
17.11 located at the time of the decedent's death or for a gift of tangible personal property within
17.12 three years of death, the state or country in which it was normally kept or located when the
17.13 gift was executed;

17.14 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
17.15 Code, owned by a nonresident decedent and that is normally kept or located in this state
17.16 because it is on loan to an organization, qualifying as exempt from taxation under section
17.17 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
17.18 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

17.19 (iv) intangible personal property, the state or country in which the decedent was domiciled
17.20 at death or for a gift of intangible personal property within three years of death, the state or
17.21 country in which the decedent was domiciled when the gift was executed.

17.22 For a nonresident decedent with an ownership interest in a pass-through entity with
17.23 assets that include real or tangible personal property, situs of the real or tangible personal
17.24 property, including qualified works of art, is determined as if the pass-through entity does
17.25 not exist and the real or tangible personal property is personally owned by the decedent. If
17.26 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
17.27 of the property is attributed to the decedent in proportion to the decedent's capital ownership
17.28 share of the pass-through entity.

17.29 (9) "Pass-through entity" includes the following:

17.30 (i) an entity electing S corporation status under section 1362 of the Internal Revenue
17.31 Code;

17.32 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

18.1 (iii) a single-member limited liability company or similar entity, regardless of whether
18.2 it is taxed as an association or is disregarded for federal income tax purposes under Code
18.3 of Federal Regulations, title 26, section 301.7701-3; or

18.4 (iv) a trust to the extent the property is includable in the decedent's federal gross estate;
18.5 but excludes

18.6 (v) an entity whose ownership interest securities are traded on an exchange regulated
18.7 by the Securities and Exchange Commission as a national securities exchange under section
18.8 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

18.9 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
18.10 the changes incorporated by federal changes are effective retroactively at the same time the
18.11 changes were effective for federal purposes.

18.12 Sec. 21. **LIMITATION ON RETROACTIVITY.**

18.13 (a) The definitions in Minnesota Statutes, section 290.01, apply to this section.

18.14 (b) Notwithstanding any law to the contrary, for a taxable year beginning before January
18.15 1, 2022, a taxpayer's liability for tax under Minnesota Statutes, chapters 289A and 290,
18.16 must not change as a result of this act's adoption of the following sections of federal law,
18.17 which are incorporated as part of the Internal Revenue Code, as amended through December
18.18 15, 2022:

18.19 (1) Taxpayer Certainty and Disaster Tax Relief Act of 2019, Public Law 116-94, section
18.20 104, deduction of qualified tuition and related expenses;

18.21 (2) Taxpayer Certainty and Disaster Tax Relief Act of 2019, Public Law 116-94, section
18.22 203, employee retention credit for employers affected by qualified disasters;

18.23 (3) Families First Coronavirus Response Act, Public Law 116-127, section 7001, payroll
18.24 credit for required paid sick leave;

18.25 (4) Families First Coronavirus Response Act, Public Law 116-127, section 7003, payroll
18.26 credit for required paid family leave;

18.27 (5) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section
18.28 2204, allowance of partial above the line deduction for charitable contributions;

18.29 (6) for individuals, Coronavirus Aid, Relief and Economic Security Act, Public Law
18.30 116-136, section 2205(a), modification of limitations on charitable contributions during
18.31 2020;

- 19.1 (7) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section
19.2 2301, employee retention credit for employers subject to closure due to COVID-19;
- 19.3 (8) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section
19.4 2303, modifications for net operating losses;
- 19.5 (9) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section
19.6 2304, modification of limitation on losses for taxpayers other than corporations;
- 19.7 (10) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section
19.8 2306, limitation on business interest;
- 19.9 (11) Taxpayer Certainty and Disaster Tax Relief Act of 2020, Public Law 116-260,
19.10 section 207, extension and modification of employee retention and rehiring credit;
- 19.11 (12) Taxpayer Certainty and Disaster Tax Relief Act of 2020, Public Law 116-260,
19.12 section 210, temporary allowance of full deduction for business meals;
- 19.13 (13) Taxpayer Certainty and Disaster Tax Relief Act of 2020, Public Law 116-260,
19.14 section 303, employee retention credit for employers affected by qualified disasters;
- 19.15 (14) American Rescue Plan Act, Public Law 117-2, section 9501(b), preserving health
19.16 benefits for workers;
- 19.17 (15) American Rescue Plan Act, Public Law 117-2, section 9631, refundability and
19.18 enhancement of child and dependent care tax credit;
- 19.19 (16) American Rescue Plan Act, Public Law 117-2, section 9641, payroll sick and family
19.20 leave credits; and
- 19.21 (17) American Rescue Plan Act, Public Law 117-2, section 9651, extension of employee
19.22 retention credit.
- 19.23 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
19.24 the limitation on retroactivity for federal changes is effective retroactively at the same time
19.25 the changes were effective for federal purposes.