

**SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION**

**S.F. No. 3162**

(SENATE AUTHORS: ANDERSON, P., Miller, Pratt, Chamberlain and Senjem)

DATE	D-PG	OFFICIAL STATUS
03/12/2018	6412	Introduction and first reading Referred to Taxes

1.1 A bill for an act

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

1.3 federal conformity for certain tax provisions; reducing individual income tax rates;

1.4 modifying treatment of certain expensing; amending Minnesota Statutes 2016,

1.5 section 290.06, subdivision 2c; Minnesota Statutes 2017 Supplement, sections

1.6 289A.02, subdivision 7; 290.01, subdivisions 19, 31; 290.0131, subdivision 10;

1.7 290.0133, subdivision 12; 290A.03, subdivision 15.

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

1.9 Section 1. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is

1.10 amended to read:

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

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

1.13 ~~16, 2016~~ 23, 2017, except that for corporate filers, "Internal Revenue Code" means the

1.14 Internal Revenue Code of 1986, as amended through December 16, 2016.

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

1.16 Sec. 2. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended

1.17 to read:

1.18 Subd. 19. **Net income.** The term "net income" means the federal taxable income, as

1.19 defined in section 63 of the Internal Revenue Code of 1986, as amended through the date

1.20 named in this subdivision, incorporating the federal effective dates of changes to the Internal

1.21 Revenue Code and any elections made by the taxpayer in accordance with the Internal

1.22 Revenue Code in determining federal taxable income for federal income tax purposes, and

1.23 with the modifications provided in sections 290.0131 to 290.0136.

2.1 In the case of a regulated investment company or a fund thereof, as defined in section  
2.2 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
2.3 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
2.4 except that:

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

2.7 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
2.8 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest  
2.9 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
2.10 and

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

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

2.17 The net income of a designated settlement fund as defined in section 468B(d) of the  
2.18 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal  
2.19 Revenue Code.

2.20 The Internal Revenue Code of 1986, as amended through December ~~16, 2016~~ 23, 2017,  
2.21 shall be in effect for taxable years beginning after December 31, 1996, except that for  
2.22 corporate filers, "Internal Revenue Code" means the Internal Revenue Code of 1986, as  
2.23 amended through December 16, 2016.

2.24 Except as otherwise provided, references to the Internal Revenue Code in this subdivision  
2.25 and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net  
2.26 income for the applicable year.

2.27 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
2.28 the changes incorporated by federal changes are effective retroactively at the same time as  
2.29 the changes were effective for federal purposes.

3.1 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended  
3.2 to read:

3.3 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
3.4 Revenue Code" means the Internal Revenue Code of 1986, as amended through December  
3.5 ~~16, 2016~~ 23, 2017, except that for corporate filers, "Internal Revenue Code" means the  
3.6 Internal Revenue Code of 1986, as amended through December 16, 2016. Internal Revenue  
3.7 Code also includes any uncodified provision in federal law that relates to provisions of the  
3.8 Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter,  
3.9 the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code"  
3.10 is to the Internal Revenue Code as amended through March 18, 2010.

3.11 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
3.12 the changes incorporated by federal changes are effective retroactively at the same time as  
3.13 the changes were effective for federal purposes.

3.14 Sec. 4. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended  
3.15 to read:

3.16 Subd. 10. **Section 179 expensing.** For taxable years beginning before January 1, 2018,  
3.17 80 percent of the amount by which the deduction allowed under the dollar limits of section  
3.18 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the  
3.19 Internal Revenue Code, as amended through December 31, 2003, is an addition.

3.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.21 31, 2017.

3.22 Sec. 5. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended  
3.23 to read:

3.24 Subd. 12. **Section 179 expensing.** For taxable years beginning before January 1, 2018,  
3.25 80 percent of the amount by which the deduction allowed under the dollar limits of section  
3.26 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the  
3.27 Internal Revenue Code, as amended through December 31, 2003, is an addition.

3.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.29 31, 2017.

4.1 Sec. 6. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

4.6 (1) On the first \$35,480, ~~5.35~~ ... percent;

4.7 (2) On all over \$35,480, but not over \$140,960, ~~7.05~~ ... percent;

4.8 (3) On all over \$140,960, but not over \$250,000, ~~7.85~~ ... percent;

4.9 (4) On all over \$250,000, ~~9.85~~ ... percent.

4.10 Married individuals filing separate returns, estates, and trusts must compute their income  
4.11 tax by applying the above rates to their taxable income, except that the income brackets  
4.12 will be one-half of the above amounts.

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

4.15 (1) On the first \$24,270, ~~5.35~~ ... percent;

4.16 (2) On all over \$24,270, but not over \$79,730, ~~7.05~~ ... percent;

4.17 (3) On all over \$79,730, but not over \$150,000, ~~7.85~~ ... percent;

4.18 (4) On all over \$150,000, ~~9.85~~ ... percent.

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

4.22 (1) On the first \$29,880, ~~5.35~~ ... percent;

4.23 (2) On all over \$29,880, but not over \$120,070, ~~7.05~~ ... percent;

4.24 (3) On all over \$120,070, but not over \$200,000, ~~7.85~~ ... percent;

4.25 (4) On all over \$200,000, ~~9.85~~ ... percent.

4.26 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
4.27 of any individual taxpayer whose taxable net income for the taxable year is less than an  
4.28 amount determined by the commissioner must be computed in accordance with tables  
4.29 prepared and issued by the commissioner of revenue based on income brackets of not more  
4.30 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in

5.1 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
5.2 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

5.7 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
5.8 defined in section 62 of the Internal Revenue Code and increased by the additions required  
5.9 under section 290.0131, subdivisions 2 and 6 to 11, and reduced by the Minnesota assignable  
5.10 portion of the subtraction for United States government interest under section 290.0132,  
5.11 subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10, 14, 15, 17,  
5.12 and 18, after applying the allocation and assignability provisions of section 290.081, clause  
5.13 (a), or 290.17; and

5.14 (2) the denominator is the individual's federal adjusted gross income as defined in section  
5.15 62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131,  
5.16 subdivisions 2 and 6 to 11, and reduced by the amounts specified in section 290.0132,  
5.17 subdivisions 2, 9, 10, 14, 15, 17, and 18.

5.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
5.19 31, 2017.

5.20 Sec. 7. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended  
5.21 to read:

5.22 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
5.23 Code of 1986, as amended through December ~~16, 2016~~ 23, 2017.

5.24 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property  
5.25 taxes payable after December 31, 2017, and rent paid after December 31, 2016.