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# State of Minnesota

## HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

# H. F. No. 3461

02/15/2022 Authored by Lislegard, Ecklund and Sandstede  
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; establishing a public pension benefit
- 1.3 subtraction; amending Minnesota Statutes 2020, sections 290.0132, 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 2020, section 290.0132, is amended by adding a subdivision
- 1.7 to read:
- 1.8 Subd. 31. **Public pension income subtraction.** (a) The amount of a taxpayer's public
- 1.9 pension exclusion is a subtraction.
- 1.10 (b) The amount of a taxpayer's federal exclusion is determined as follows:
- 1.11 (1) for a taxpayer whose provisional income is less than or equal to the base amount,
- 1.12 the federal exclusion equals 100 percent of qualified benefits received during the taxable
- 1.13 year;
- 1.14 (2) for a taxpayer whose provisional income exceeds the base amount, but is less than
- 1.15 or equal to the adjusted base amount, the federal exclusion equals the lesser of:
- 1.16 (i) 50 percent of qualified benefits received during the taxable year; or
- 1.17 (ii) the amount by which the taxpayer's provisional income exceeds the base amount;
- 1.18 and
- 1.19 (3) for a taxpayer whose provisional income exceeds the adjusted base amount, the
- 1.20 federal exclusion equals the lesser of:

(i) 85 percent of the taxpayer's provisional income in excess of the adjusted base amount,  
plus 50 percent of the difference between the base amount and the adjusted base amount;  
or

(ii) 85 percent of qualified benefits received during the taxable year.

(c) The amount of a taxpayer's state exclusion equals the lesser of:

(1) the amount of qualified benefits in excess of the taxpayer's federal exclusion; or

(2) the maximum exclusion for a taxpayer determined under paragraph (d).

(d) The maximum state exclusion equals \$5,450 for a joint return, half that amount for  
a married taxpayer filing a separate return, and \$4,260 for all other taxpayers. The maximum  
subtraction is reduced by 20 percent of provisional income in excess of:

(1) \$82,770 for a joint return;

(2) half the amount in clause (1) for a married taxpayer filing a separate return; and

(3) \$64,670 for all other filers.

(e) For the purposes of this subdivision:

(1) "base amount" has the meaning given in section 86(c)(1) of the Internal Revenue  
Code and "adjusted base amount" has the meaning given in section 86(c)(2) of the Internal  
Revenue Code;

(2) "provisional income" has the meaning given in section 290.0132, subdivision 26,  
paragraph (e);

(3) "public pension exclusion" means the sum of the federal exclusion calculated under  
paragraph (b) and the state exclusion calculated under paragraphs (c) and (d); and

(4) "qualified benefits" means any amount received:

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

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

(iii) from a public retirement system of or created by another state or any of its political  
subdivisions if the income tax laws of the other state permit a similar deduction or exemption

or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any political subdivision of this state.

(f) The commissioner must adjust the maximum exclusion and phaseout threshold amounts in paragraph (d) as provided in section 270C.22. The statutory year is taxable year 2022. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

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

Sec. 2. Minnesota Statutes 2020, section 290.091, subdivision 2, is amended to read:

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

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

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

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

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

(ii) the medical expense deduction;

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

(iv) the impairment-related work expenses of a person with a disability;

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

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

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

(6) the amount of addition required by section 290.0131, subdivisions 9, 10, and 16;

(7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent not included in the addition required under clause (6); and

(8) to the extent not included in federal alternative minimum taxable income, the amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code;

less the sum of the amounts determined under the following:

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

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

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

(iv) amounts subtracted from federal taxable or adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and~~ 26 to 29, and 31;

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

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

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

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

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

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

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

5.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
5.4 31, 2021.