

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-SECOND SESSION**

**S.F. No. 558**

(SENATE AUTHORS: EKEN, Newton and Klein)

DATE	D-PG	OFFICIAL STATUS
02/04/2021	234	Introduction and first reading Referred to Taxes
02/11/2021	344	Author added Newton
02/03/2022	4896	Author added Klein

- 1.1 A bill for an act
- 1.2 relating to taxation; individual income; allowing a full subtraction for Social
- 1.3 Security income; providing for a partial subtraction and new tax for net investment
- 1.4 income; amending Minnesota Statutes 2020, section 290.0132, subdivision 26;
- 1.5 proposing coding for new law in Minnesota Statutes, chapter 290.
- 1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.7 Section 1. Minnesota Statutes 2020, section 290.0132, subdivision 26, is amended to read:
- 1.8 Subd. 26. **Social Security benefits.** ~~(a) A portion~~ The amount of Social Security benefits
- 1.9 received by a taxpayer in the taxable year is allowed as a subtraction. ~~The subtraction equals~~
- 1.10 ~~the lesser of Social Security benefits or a maximum subtraction subject to the limits under~~
- 1.11 ~~paragraphs (b), (c), and (d).~~
- 1.12 ~~(b) For married taxpayers filing a joint return and surviving spouses, the maximum~~
- 1.13 ~~subtraction equals \$4,500. The maximum subtraction is reduced by 20 percent of provisional~~
- 1.14 ~~income over \$77,000. In no case is the subtraction less than zero.~~
- 1.15 ~~(c) For single or head-of-household taxpayers, the maximum subtraction equals \$3,500.~~
- 1.16 ~~The maximum subtraction is reduced by 20 percent of provisional income over \$60,200.~~
- 1.17 ~~In no case is the subtraction less than zero.~~
- 1.18 ~~(d) For married taxpayers filing separate returns, the maximum subtraction equals \$2,250.~~
- 1.19 ~~The maximum subtraction is reduced by 20 percent of provisional income over \$38,500.~~
- 1.20 ~~In no case is the subtraction less than zero.~~
- 1.21 ~~(e) For purposes of this subdivision, "provisional income" means modified adjusted~~
- 1.22 ~~gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of~~

2.1 ~~the Social Security benefits received during the taxable year, and "Social Security benefits"~~  
 2.2 ~~has the meaning given in section 86(d)(1) of the Internal Revenue Code.~~

2.3 ~~(f) The commissioner shall adjust the maximum subtraction and threshold amounts in~~  
 2.4 ~~paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section~~  
 2.5 ~~1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue~~  
 2.6 ~~Code the word "2016" shall be substituted for the word "1992." For 2018, the commissioner~~  
 2.7 ~~shall then determine the percentage change from the 12 months ending on August 31, 2016,~~  
 2.8 ~~to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12~~  
 2.9 ~~months ending on August 31, 2016, to the 12 months ending on August 31 of the year~~  
 2.10 ~~preceding the taxable year. The determination of the commissioner pursuant to this~~  
 2.11 ~~subdivision must not be considered a rule and is not subject to the Administrative Procedure~~  
 2.12 ~~Act contained in chapter 14, including section 14.386. The maximum subtraction and~~  
 2.13 ~~threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount~~  
 2.14 ~~ends in \$5, the amount is rounded up to the nearest \$10 amount.~~

2.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 2.16 31, 2021.

2.17 **Sec. 2. [290.033] NET INVESTMENT INCOME TAX.**

2.18 Subdivision 1. **Imposition.** (a) An annual tax for each taxable year, computed in the  
 2.19 manner provided in paragraph (b), and at the rate determined under subdivision 2, is imposed  
 2.20 on all net investment income, as defined in the Internal Revenue Code, section 1411(c), in  
 2.21 excess of \$250,000, for the following classes of taxpayers:

2.22 (1) resident and nonresident individuals;

2.23 (2) estates of decedents, dying domiciled within or without this state; and

2.24 (3) trusts, except those taxable as corporations, however created by residents or  
 2.25 nonresidents or by domestic or foreign corporations.

2.26 (b) The taxes imposed by paragraph (a) on individuals, estates, and trusts must be  
 2.27 computed by applying the rate determined under subdivision 2, to the individual's, estate's,  
 2.28 or trust's net investment income, as defined in the Internal Revenue Code, section 1411(c),  
 2.29 in excess of \$250,000.

2.30 Subd. 2. **Rate.** (a) By December 1, 2022, and each year thereafter, the commissioner of  
 2.31 management and budget, in consultation with the commissioner of revenue, shall estimate  
 2.32 the reduction in revenue for the current tax year from taxes imposed on taxable net income,  
 2.33 as defined in section 290.01, subdivision 22, by determining the following amount:

3.1 (1) the estimated revenue for the current tax year from the taxes imposed on all taxable  
3.2 net income, disregarding the subtraction allowed under section 290.0132, subdivision 26,  
3.3 less

3.4 (2) the estimated revenue for the current tax year from the taxes imposed on all taxable  
3.5 net income, but excluding the amount subtracted under section 290.0132, subdivision 26.

3.6 (b) By January 15, 2023, and each year thereafter, the commissioner of revenue, in  
3.7 consultation with the commissioner of management and budget, shall determine and publish  
3.8 a new tax rate applicable for the previous tax year on all net investment income in excess  
3.9 of \$250,000. The rate must be sufficient to raise revenue to offset the projected amount of  
3.10 reduction in revenue determined under paragraph (a). The new rate shall be rounded to the  
3.11 nearest one-tenth of one percent.

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