

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 1142

(SENATE AUTHORS: MILLER and Dziejcie)

DATE
02/20/2017

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664 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; individual income; allowing a subtraction for police and
1.3 firefighter pensions; amending Minnesota Statutes 2016, sections 290.0132, by
1.4 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 2016, section 290.0132, is amended by adding a subdivision
1.7 to read:

1.8 Subd. 23. **Police and firefighter pensions.** (a) The amount of compensation received
1.9 from a pension or other retirement pay from the government for service as a police officer
1.10 or firefighter is a subtraction.

1.11 (b) For the purposes of this subdivision, the terms "police officer" and "firefighter" mean
1.12 positions functionally equivalent to those entitling an individual to be a member of the plan
1.13 under section 353.64, regardless of whether the service is for a federal, state, or local
1.14 government unit.

1.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
1.16 31, 2016.

1.17 Sec. 2. Minnesota Statutes 2016, section 290.091, subdivision 2, is amended to read:

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

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

- 2.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section
2.2 55(b)(2) of the Internal Revenue Code;
- 2.3 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
2.4 taxable income, but excluding:
- 2.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 2.6 (ii) the medical expense deduction;
- 2.7 (iii) the casualty, theft, and disaster loss deduction; and
- 2.8 (iv) the impairment-related work expenses of a disabled person;
- 2.9 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
2.10 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
2.11 to the extent not included in federal alternative minimum taxable income, the excess of the
2.12 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
2.13 taxable year over the adjusted basis of the property at the end of the taxable year (determined
2.14 without regard to the depletion deduction for the taxable year);
- 2.15 (4) to the extent not included in federal alternative minimum taxable income, the amount
2.16 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
2.17 Code determined without regard to subparagraph (E);
- 2.18 (5) to the extent not included in federal alternative minimum taxable income, the amount
2.19 of interest income as provided by section 290.0131, subdivision 2; and
- 2.20 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;
- 2.21 less the sum of the amounts determined under the following:
- 2.22 (1) interest income as defined in section 290.0132, subdivision 2;
- 2.23 (2) an overpayment of state income tax as provided by section 290.0132, subdivision 3,
2.24 to the extent included in federal alternative minimum taxable income;
- 2.25 (3) the amount of investment interest paid or accrued within the taxable year on
2.26 indebtedness to the extent that the amount does not exceed net investment income, as defined
2.27 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
2.28 in computing federal adjusted gross income;
- 2.29 (4) amounts subtracted from federal taxable income as provided by section 290.0132,
2.30 subdivisions 7, 9 to 15, 17, ~~and 21~~, and 23; and

3.1 (5) the amount of the net operating loss allowed under section 290.095, subdivision 11,
3.2 paragraph (c).

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

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

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

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

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

3.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.14 31, 2016.

3.15 Sec. 3. **PURPOSE STATEMENT; TAX EXPENDITURES.**

3.16 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
3.17 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
3.18 expenditure provide a purpose for the tax expenditure and a standard or goal against which
3.19 its effectiveness is measured.

3.20 Subd. 2. **Police and firefighter pensions income tax subtraction.** The provisions of
3.21 sections 1 and 2, providing an income tax subtraction for police and firefighter pensions,
3.22 are intended to recognize that a share of police and firefighter pensions are paid in place of
3.23 Social Security benefits, which for many recipients are exempt from income tax, and to
3.24 provide equivalent tax treatment as is provided to military retirement pay.