

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3472

02/15/2022 Authored by Sandstede, Youakim, Bernardy and Kotyza-Witthuhn  
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; property tax refunds; modifying the definition of income for  
1.3 eligibility; amending Minnesota Statutes 2021 Supplement, section 290A.03,  
1.4 subdivision 3.

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

1.6 Section 1. Minnesota Statutes 2021 Supplement, section 290A.03, subdivision 3, is  
1.7 amended to read:

1.8 Subd. 3. **Income.** (a) "Income" means ~~the sum of the following:~~(1) federal adjusted  
1.9 gross income as defined in the Internal Revenue Code; ~~and.~~

1.10 ~~(2) the sum of the following amounts to the extent not included in clause (1):~~

1.11 ~~(i) all nontaxable income;~~

1.12 ~~(ii) the amount of a passive activity loss that is not disallowed as a result of section 469,~~  
1.13 ~~paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss~~  
1.14 ~~carryover allowed under section 469(b) of the Internal Revenue Code;~~

1.15 ~~(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a~~  
1.16 ~~solvent individual excluded from gross income under section 108(g) of the Internal Revenue~~  
1.17 ~~Code;~~

1.18 ~~(iv) cash public assistance and relief;~~

1.19 ~~(v) any pension or annuity (including railroad retirement benefits, all payments received~~  
1.20 ~~under the federal Social Security Act, Supplemental Security Income, and veterans benefits),~~  
1.21 ~~which was not exclusively funded by the claimant or spouse, or which was funded exclusively~~

2.1 ~~by the claimant or spouse and which funding payments were excluded from federal adjusted~~  
2.2 ~~gross income in the years when the payments were made;~~

2.3 ~~(vi) interest received from the federal or a state government or any instrumentality or~~  
2.4 ~~political subdivision thereof;~~

2.5 ~~(vii) workers' compensation;~~

2.6 ~~(viii) nontaxable strike benefits;~~

2.7 ~~(ix) the gross amounts of payments received in the nature of disability income or sick~~  
2.8 ~~pay as a result of accident, sickness, or other disability, whether funded through insurance~~  
2.9 ~~or otherwise;~~

2.10 ~~(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of~~  
2.11 ~~1986, as amended through December 31, 1995;~~

2.12 ~~(xi) contributions made by the claimant to an individual retirement account, including~~  
2.13 ~~a qualified voluntary employee contribution; simplified employee pension plan;~~  
2.14 ~~self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of~~  
2.15 ~~the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal~~  
2.16 ~~Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for~~  
2.17 ~~the claimant and spouse;~~

2.18 ~~(xii) to the extent not included in federal adjusted gross income, distributions received~~  
2.19 ~~by the claimant or spouse from a traditional or Roth style retirement account or plan;~~

2.20 ~~(xiii) nontaxable scholarship or fellowship grants;~~

2.21 ~~(xiv) alimony received to the extent not included in the recipient's income;~~

2.22 ~~(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue~~  
2.23 ~~Code;~~

2.24 ~~(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue~~  
2.25 ~~Code; and~~

2.26 ~~(xvii) the amount deducted for certain expenses of elementary and secondary school~~  
2.27 ~~teachers under section 62(a)(2)(D) of the Internal Revenue Code.~~

2.28 ~~In the case of an individual who files an income tax return on a fiscal year basis, the~~  
2.29 ~~term "federal adjusted gross income" shall mean federal adjusted gross income reflected in~~  
2.30 ~~the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced~~  
2.31 ~~by the amount of a net operating loss carryback or carryforward or a capital loss carryback~~  
2.32 ~~or carryforward allowed for the year.~~

3.1 ~~(b) "Income" does not include:~~

3.2 ~~(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;~~

3.3 ~~(2) amounts of any pension or annuity which was exclusively funded by the claimant~~  
 3.4 ~~or spouse and which funding payments were not excluded from federal adjusted gross~~  
 3.5 ~~income in the years when the payments were made;~~

3.6 ~~(3) to the extent included in federal adjusted gross income, amounts contributed by the~~  
 3.7 ~~claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed~~  
 3.8 ~~the retirement base amount reduced by the amount of contributions excluded from federal~~  
 3.9 ~~adjusted gross income, but not less than zero;~~

3.10 ~~(4) surplus food or other relief in kind supplied by a governmental agency;~~

3.11 ~~(5) relief granted under this chapter;~~

3.12 ~~(6) child support payments received under a temporary or final decree of dissolution or~~  
 3.13 ~~legal separation;~~

3.14 ~~(7) restitution payments received by eligible individuals and excludable interest as~~  
 3.15 ~~defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,~~  
 3.16 ~~Public Law 107-16;~~

3.17 ~~(8) alimony paid; or~~

3.18 ~~(9) veterans disability compensation paid under title 38 of the United States Code.~~

3.19 ~~(e)~~ (b) The sum of the following amounts may be subtracted from income:

3.20 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

3.21 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

3.22 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

3.23 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

3.24 (5) for the claimant's fifth dependent, the exemption amount; and

3.25 (6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or  
 3.26 before December 31 of the year for which the taxes were levied or rent paid, the exemption  
 3.27 amount.

3.28 ~~(d)~~ (c) For purposes of this subdivision, ~~the following terms have the meanings given:~~

3.29 ~~(1)~~ "exemption amount" means the exemption amount under section 290.0121,  
 3.30 subdivision 1, paragraph (b), for the taxable year for which the income is reported;

4.1 ~~(2) "retirement base amount" means the deductible amount for the taxable year for the~~  
4.2 ~~claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for~~  
4.3 ~~inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard~~  
4.4 ~~to whether the claimant or spouse claimed a deduction; and~~

4.5 ~~(3) "traditional or Roth style retirement account or plan" means retirement plans under~~  
4.6 ~~sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.~~

4.7 **EFFECTIVE DATE.** This section is effective beginning with refunds based on property  
4.8 taxes payable in 2023 and rent paid in 2022.