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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 2942

02/22/2018 Authored by Applebaum
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; income; corporate franchise; property tax refund; estate tax;
1.3 adopting certain changes to federal law and making conforming changes; amending
1.4 Minnesota Statutes 2016, sections 289A.08, subdivision 7; 290.01, subdivision
1.5 29a; 290.0131, subdivision 3, by adding a subdivision; 290.0132, subdivision 7,
1.6 by adding subdivisions; 290.0133, subdivision 6, by adding a subdivision; 290.06,
1.7 subdivision 2c; 290.095, subdivision 4; 290A.04, subdivisions 2, 2a; Minnesota
1.8 Statutes 2017 Supplement, sections 289A.02, subdivision 7; 290.01, subdivisions
1.9 19, 31; 290.0681, subdivision 2; 290.091, subdivision 2; 290A.03, subdivisions
1.10 3, 15; 291.005, subdivision 1; repealing Minnesota Statutes 2016, sections
1.11 290.0131, subdivisions 7, 11, 13; 290.0132, subdivisions 19, 20; 290.0133,
1.12 subdivisions 13, 14; 290.10, subdivision 2.

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

1.14 Section 1. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is
1.15 amended to read:

1.16 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
1.17 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
1.18 ~~16, 2016~~ 31, 2017.

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

1.20 Sec. 2. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

1.21 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**
1.22 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to
1.23 file a composite return and to pay the tax on behalf of nonresident partners who have no
1.24 other Minnesota source income. This composite return must include the names, addresses,

2.1 Social Security numbers, income allocation, and tax liability for the nonresident partners
2.2 electing to be covered by the composite return.

2.3 (b) The computation of a partner's tax liability must be determined by multiplying the
2.4 income allocated to that partner by the highest rate used to determine the tax liability for
2.5 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
2.6 deductions, or personal exemptions are not allowed.

2.7 (c) The partnership must submit a request to use this composite return filing method for
2.8 nonresident partners. The requesting partnership must file a composite return in the form
2.9 prescribed by the commissioner of revenue. The filing of a composite return is considered
2.10 a request to use the composite return filing method.

2.11 (d) The electing partner must not have any Minnesota source income other than the
2.12 income from the partnership and other electing partnerships. If it is determined that the
2.13 electing partner has other Minnesota source income, the inclusion of the income and tax
2.14 liability for that partner under this provision will not constitute a return to satisfy the
2.15 requirements of subdivision 1. The tax paid for the individual as part of the composite return
2.16 is allowed as a payment of the tax by the individual on the date on which the composite
2.17 return payment was made. If the electing nonresident partner has no other Minnesota source
2.18 income, filing of the composite return is a return for purposes of subdivision 1.

2.19 (e) This subdivision does not negate the requirement that an individual pay estimated
2.20 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
2.21 The individual's liability to pay estimated tax is, however, satisfied when the partnership
2.22 pays composite estimated tax in the manner prescribed in section 289A.25.

2.23 (f) If an electing partner's share of the partnership's gross income from Minnesota sources
2.24 is less than the filing requirements for a nonresident under this subdivision, the tax liability
2.25 is zero. However, a statement showing the partner's share of gross income must be included
2.26 as part of the composite return.

2.27 (g) The election provided in this subdivision is only available to a partner who has no
2.28 other Minnesota source income and who is either (1) a full-year nonresident individual or
2.29 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the
2.30 Internal Revenue Code.

2.31 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
2.32 make an election under this paragraph. The provisions covering the partnership apply to
2.33 the corporation and the provisions applying to the partner apply to the shareholder.

3.1 (i) Estates and trusts distributing current income only and the nonresident individual
3.2 beneficiaries of the estates or trusts may make an election under this paragraph. The
3.3 provisions covering the partnership apply to the estate or trust. The provisions applying to
3.4 the partner apply to the beneficiary.

3.5 (j) For the purposes of this subdivision, "income" means the partner's share of federal
3.6 adjusted gross income from the partnership modified by the additions provided in section
3.7 290.0131, subdivisions 8 to ~~4~~ 10, and the subtractions provided in: (1) section 290.0132,
3.8 subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section
3.9 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section
3.10 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent
3.11 the electing partner would have been allowed the subtraction.

3.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.13 31, 2017.

3.14 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended
3.15 to read:

3.16 Subd. 19. **Net income.** The term "net income" means the federal taxable income, as
3.17 defined in section 63 of the Internal Revenue Code of 1986, as amended through the date
3.18 named in this subdivision, incorporating the federal effective dates of changes to the Internal
3.19 Revenue Code and any elections made by the taxpayer in accordance with the Internal
3.20 Revenue Code in determining federal taxable income for federal income tax purposes, and
3.21 with the modifications provided in sections 290.0131 to 290.0136.

3.22 In the case of a regulated investment company or a fund thereof, as defined in section
3.23 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
3.24 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
3.25 except that:

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

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

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

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

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

4.10 The Internal Revenue Code of 1986, as amended through December ~~16, 2016~~ 31, 2017,
 4.11 shall be in effect for taxable years beginning after December 31, 1996.

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

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

4.18 Sec. 4. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

4.19 Subd. 29a. **State itemized deduction.** "State itemized deduction" means federal itemized
 4.20 deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding any
 4.21 limitation under section 68 of the Internal Revenue Code, ~~and reduced by the amount of~~
 4.22 ~~the addition required under section 290.0131, subdivision 13.~~

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

4.24 Sec. 5. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended
 4.25 to read:

4.26 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 4.27 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
 4.28 ~~16, 2016~~ 31, 2017. Internal Revenue Code also includes any uncodified provision in federal
 4.29 law that relates to provisions of the Internal Revenue Code that are incorporated into
 4.30 Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter
 4.31 N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through
 4.32 March 18, 2010.

5.1 **EFFECTIVE DATE.** This section is effective the day following final enactment and
5.2 applies to the same taxable years as the changes incorporated by federal changes are
5.3 applicable for federal purposes, including any provisions that are retroactive to taxable years
5.4 beginning after December 31, 2016.

5.5 Sec. 6. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

5.6 Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** (a) The
5.7 amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within
5.8 the taxable year under this chapter and the amount of taxes based on net income, sales and
5.9 use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory
5.10 of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue
5.11 Code.

5.12 (b) The addition under paragraph (a) may not be more than the least of the following
5.13 amounts:

5.14 (1) the amount by which the state total itemized deduction allowed under section 164
5.15 of the Internal Revenue Code exceeds the amount of the standard deduction as defined in
5.16 section 63(c) of the Internal Revenue Code. ~~For the purpose of this subdivision;~~

5.17 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes ~~are the last~~
5.18 ~~itemized deductions disallowed under subdivision 12.~~ allowed under section 164 of the
5.19 Internal Revenue Code for the taxable year; or

5.20 (3) \$10,000, or \$5,000 in the case of a married individual filing a separate return, less
5.21 the amount of real and personal property taxes that are subject to the limit under section
5.22 164(b)(6) of the Internal Revenue Code, but the remainder cannot be less than zero.

5.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.24 31, 2017.

5.25 Sec. 7. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
5.26 to read:

5.27 Subd. 15. **Qualified business income.** The amount of the deduction for qualified business
5.28 income allowed under section 199A of the Internal Revenue Code for the taxable year is
5.29 an addition.

5.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.31 31, 2017.

6.1 Sec. 8. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

6.2 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** To the extent
 6.3 not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in
 6.4 determining federal taxable income by an individual who does not itemize deductions for
 6.5 federal income tax purposes for the taxable year, an amount equal to ~~50 percent of the excess~~
 6.6 ~~of charitable contributions over \$500~~ allowable as a deduction for the taxable year under
 6.7 section 170(a) of the Internal Revenue Code is a subtraction.

6.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 6.9 31, 2017.

6.10 Sec. 9. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
 6.11 to read:

6.12 **Subd. 27. Dependent and personal exemptions.** (a) An amount equal to the sum of
 6.13 the taxpayer's dependent and personal exemptions, less the disallowed personal exemption
 6.14 amount determined under paragraph (d), is a subtraction.

6.15 (b) A taxpayer's dependent exemption equals \$4,150 for each individual who is a
 6.16 dependent of the taxpayer, as defined in section 152 of the Internal Revenue Code.

6.17 (c) A taxpayer's personal exemption equals \$8,300 for married individuals filing a joint
 6.18 return and \$4,150 for all other taxpayers.

6.19 (d) The disallowed personal exemption amount equals the sum of the taxpayer's dependent
 6.20 and personal exemptions multiplied by the applicable percentage. For a married individual
 6.21 filing a separate return, "applicable percentage" means two percentage points for each
 6.22 \$1,250, or fraction of that amount, by which the taxpayer's federal adjusted gross income
 6.23 for the taxable year exceeds the threshold amount. For all other filers, applicable percentage
 6.24 means two percentage points for each \$2,500, or fraction of that amount, by which the
 6.25 taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount.
 6.26 The applicable percentage must not exceed 100 percent. "Threshold amount" means:

6.27 (1) \$285,050 for a joint return or a surviving spouse;

6.28 (2) \$237,550 for a head of a household;

6.29 (3) \$190,050 for an individual who is not married and who is not a surviving spouse or
 6.30 head of a household; and

6.31 (4) \$142,500 for a married individual filing a separate return.

7.1 (e) For taxable years beginning after December 31, 2018, the commissioner must adjust
 7.2 the amounts in this subdivision for inflation by the percentage determined under paragraph
 7.3 (f). The commissioner must round the personal and dependent exemption amounts to the
 7.4 nearest \$50 amount. If the personal or dependent exemption ends in \$25, the commissioner
 7.5 must round it to the nearest \$50 amount.

7.6 (f) The commissioner must adjust the amounts in this subdivision using the Consumer
 7.7 Price Index for all-urban consumers. For 2019, the commissioner must determine the percent
 7.8 change from the 12 months ending on August 31, 2017, to the 12 months ending on August
 7.9 31, 2018, and in each subsequent year, from the 12 months ending on August 31, 2017, to
 7.10 the 12 months ending on August 31 of the year preceding the taxable year.

7.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 7.12 31, 2017.

7.13 Sec. 10. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
 7.14 to read:

7.15 Subd. 28. **Property taxes.** For a taxpayer electing to itemize deductions for federal
 7.16 income tax purposes, the amount of state or local real or personal property taxes that are
 7.17 subject to and exceed the dollar limitation under section 164(b)(6) of the Internal Revenue
 7.18 Code is a deduction.

7.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 7.20 31, 2017.

7.21 Sec. 11. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
 7.22 to read:

7.23 Subd. 29. **Moving expenses.** (a) The amount of a taxpayer's eligible moving expenses
 7.24 is a subtraction.

7.25 (b) The amount of a taxpayer's eligible moving expenses equals any amounts suspended
 7.26 as not applying to the taxable year by section 217(k) of the Internal Revenue Code.

7.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 7.28 31, 2017.

7.29 Sec. 12. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

7.30 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections
 7.31 241 to 247 and ~~965~~ of the Internal Revenue Code is an addition.

8.1 (b) The addition under this subdivision is reduced by the amount of the deduction under
 8.2 section 245A of the Internal Revenue Code that represents amounts included in federal
 8.3 taxable income in a prior taxable year under section 965 of the Internal Revenue Code.

8.4 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for taxable years beginning
 8.5 after December 31, 2016. Paragraph (b) is effective for taxable years beginning after
 8.6 December 31, 2017.

8.7 Sec. 13. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision
 8.8 to read:

8.9 Subd. 15. **Deferred foreign income.** (a) The amount of the deduction provided under
 8.10 section 965(c) of the Internal Revenue Code is an addition.

8.11 (b) For a taxpayer making a federal election under section 965(h) of the Internal Revenue
 8.12 Code, the addition under paragraph (a) must be applied ratably to the same tax periods and
 8.13 be calculated using the same percentages that are used to determine the payments of federal
 8.14 tax on the deferred foreign income under section 965(h) of the Internal Revenue Code for
 8.15 the tax period.

8.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 8.17 after December 31, 2016.

8.18 Sec. 14. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

8.23 (1) On the first \$35,480, 5.35 percent;

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

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

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

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

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

9.1 (1) On the first \$24,270, 5.35 percent;

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

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

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

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

9.8 (1) On the first \$29,880, 5.35 percent;

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

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

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

9.12 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
9.13 of any individual taxpayer whose taxable net income for the taxable year is less than an
9.14 amount determined by the commissioner must be computed in accordance with tables
9.15 prepared and issued by the commissioner of revenue based on income brackets of not more
9.16 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
9.17 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
9.18 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

9.23 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
9.24 defined in section 62 of the Internal Revenue Code and increased by the additions required
9.25 under section 290.0131, subdivisions 2 and 6 to ~~4~~ 10, and reduced by the Minnesota
9.26 assignable portion of the subtraction for United States government interest under section
9.27 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10,
9.28 14, 15, 17, and 18, after applying the allocation and assignability provisions of section
9.29 290.081, clause (a), or 290.17; and

9.30 (2) the denominator is the individual's federal adjusted gross income as defined in section
9.31 62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131,

10.1 subdivisions 2 and 6 to ~~11~~ 10, and reduced by the amounts specified in section 290.0132,
 10.2 subdivisions 2, 9, 10, 14, 15, 17, and 18.

10.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 10.4 31, 2017.

10.5 Sec. 15. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended
 10.6 to read:

10.7 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed
 10.8 against the tax imposed under this chapter equal to not more than 100 percent of the credit
 10.9 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project.

10.10 Notwithstanding the provisions of section 47(a) of the Internal Revenue Code allowing the
 10.11 federal credit ratably over a five-year period, the full amount of the credit under this section
 10.12 is allowed in the taxable year in which the qualified rehabilitated building is placed in
 10.13 service. To qualify for the credit:

10.14 (1) the project must receive Part 3 certification and be placed in service during the taxable
 10.15 year; and

10.16 (2) the taxpayer must be allowed the federal credit and be issued a credit certificate for
 10.17 the taxable year as provided in subdivision 4.

10.18 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant
 10.19 equals 90 percent of the credit that would be allowed for the project.

10.20 (c) In lieu of the credit under paragraph (a), an insurance company may claim a credit
 10.21 against the insurance premiums tax imposed under chapter 297I.

10.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 10.23 31, 2017.

10.24 Sec. 16. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
 10.25 to read:

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

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

10.30 (1) the taxpayer's federal alternative minimum taxable income as defined in section
 10.31 55(b)(2) of the Internal Revenue Code;

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

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

11.5 (ii) the medical expense deduction;

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

11.7 ~~(iv) the impairment-related work expenses of a disabled person;~~

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

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

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

11.19 (6) the amount of addition required by section 290.0131, subdivisions 9 to ~~11~~ 10;

11.20 less the sum of the amounts determined under the following:

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

11.22 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
11.23 3, to the extent included in federal alternative minimum taxable income;

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

11.28 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,
11.29 subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

11.30 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
11.31 paragraph (c).

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

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

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

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

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

12.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.12 31, 2017.

12.13 Sec. 17. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

12.14 Subd. 4. **Computation and modifications.** The following modifications shall be made
12.15 in computing a net operating loss in any taxable year and also in computing the taxable net
12.16 income for any taxable year before a net operating loss deduction shall be allowed:

12.17 (a) No deduction shall be allowed for or with respect to losses connected with income
12.18 producing activities if the income therefrom would not be required to be either assignable
12.19 to this state or included in computing the taxpayer's taxable net income.

12.20 (b) A net operating loss deduction shall not be allowed.

12.21 (c) The amount deductible on account of losses from sales or exchanges of capital assets
12.22 shall not exceed the amount includable on account of gains from sales or exchanges of
12.23 capital assets.

12.24 (d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the
12.25 United States of America, including renegotiation of the profits with a subcontractor, shall
12.26 not enter into the computation.

12.27 (e) Federal income and excess profits taxes shall not be allowed as a deduction.

12.28 (f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does
12.29 not apply to the computations for corporate taxpayers under this section.

12.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.31 31, 2017.

13.1 Sec. 18. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
13.2 to read:

13.3 Subd. 3. **Income.** (a) "Income" means the sum of the following:

13.4 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

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

13.6 (i) all nontaxable income;

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

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

13.13 (iv) cash public assistance and relief;

13.14 (v) any pension or annuity (including railroad retirement benefits, all payments received
13.15 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),
13.16 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
13.17 by the claimant or spouse and which funding payments were excluded from federal adjusted
13.18 gross income in the years when the payments were made;

13.19 (vi) interest received from the federal or a state government or any instrumentality or
13.20 political subdivision thereof;

13.21 (vii) workers' compensation;

13.22 (viii) nontaxable strike benefits;

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

13.26 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
13.27 1986, as amended through December 31, 1995;

13.28 (xi) contributions made by the claimant to an individual retirement account, including
13.29 a qualified voluntary employee contribution; simplified employee pension plan;
13.30 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
13.31 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal

14.1 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
14.2 the claimant and spouse;

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

14.5 (xiii) nontaxable scholarship or fellowship grants;

14.6 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

14.7 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
14.8 Code;

14.9 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
14.10 Code; and

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

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

14.18 (b) "Income" does not include:

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

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

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

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

14.28 (5) relief granted under this chapter;

14.29 (6) child support payments received under a temporary or final decree of dissolution or
14.30 legal separation; or

15.1 (7) restitution payments received by eligible individuals and excludable interest as
 15.2 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,
 15.3 Public Law 107-16.

15.4 (c) The sum of the following amounts may be subtracted from income:

- 15.5 (1) for the claimant's first dependent, ~~the exemption amount multiplied by 1.4~~ \$5,810;
- 15.6 (2) for the claimant's second dependent, ~~the exemption amount multiplied by 1.3~~ \$5,395;
- 15.7 (3) for the claimant's third dependent, ~~the exemption amount multiplied by 1.2~~ \$4,980;
- 15.8 (4) for the claimant's fourth dependent, ~~the exemption amount multiplied by 1.1~~ \$4,565;
- 15.9 (5) for the claimant's fifth dependent, ~~the exemption amount~~ \$4,150; and

15.10 (6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or
 15.11 before December 31 of the year for which the taxes were levied or rent paid, ~~the exemption~~
 15.12 ~~amount~~ \$4,150.

15.13 (d) For purposes of this subdivision, the ~~"exemption amount" means the exemption~~
 15.14 ~~amount under section 151(d) of the Internal Revenue Code for the taxable year for which~~
 15.15 ~~the income is reported~~; "retirement base amount" means the deductible amount for the
 15.16 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue
 15.17 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue
 15.18 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional
 15.19 or Roth style retirement account or plan" means retirement plans under sections 401, 403,
 15.20 408, 408A, and 457 of the Internal Revenue Code.

15.21 (e) Beginning for property tax refunds payable in 2019, the commissioner shall adjust
 15.22 the subtraction from income amounts in paragraph (c) by the percentage determined pursuant
 15.23 to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B)
 15.24 of the Internal Revenue Code the word "2017" shall be substituted for the word "1992." For
 15.25 2019, the commissioner shall then determine the percentage change from the 12 months
 15.26 ending on August 31, 2017, to the 12 months ending on August 31, 2018, and in each
 15.27 subsequent year, from the 12 months ending on August 31, 2017, to the 12 months ending
 15.28 on August 31 of the year preceding the taxable year. The determination of the commissioner
 15.29 pursuant to this subdivision must not be considered a rule and is not subject to the
 15.30 Administrative Procedure Act contained in chapter 14, including section 14.386. The
 15.31 subtraction from income amounts as adjusted must be rounded to the nearest \$5 amount.

15.32 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property
 15.33 taxes payable after December 31, 2018, and rent paid after December 31, 2016.

16.1 Sec. 19. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended
16.2 to read:

16.3 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
16.4 Code of 1986, as amended through December ~~16, 2016~~ 31, 2017, except as otherwise
16.5 provided in subdivision 3, paragraph (d), to calculate the exemption amount.

16.6 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property
16.7 taxes payable after December 31, 2018, and rent paid after December 31, 2016.

16.8 Sec. 20. Minnesota Statutes 2016, section 290A.04, subdivision 2, is amended to read:

16.9 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes
16.10 payable are in excess of the percentage of the household income stated below shall pay an
16.11 amount equal to the percent of income shown for the appropriate household income level
16.12 along with the percent to be paid by the claimant of the remaining amount of property taxes
16.13 payable. The state refund equals the amount of property taxes payable that remain, up to
16.14 the state refund amount shown below.

| 16.15 | | | Percent Paid by | Maximum |
|-------|-----------------------------|------------------------|-----------------------|---------------------|
| 16.16 | | | Claimant | State |
| 16.17 | Household Income | Percent of Income | | Refund |
| 16.18 | \$0 to 1,619 | 1.0 percent | 15 percent | \$ 2,580 |
| 16.19 | 1,620 to 3,229 | 1.1 percent | 15 percent | \$ 2,580 |
| 16.20 | 3,230 to 4,889 | 1.2 percent | 15 percent | \$ 2,580 |
| 16.21 | 4,890 to 6,519 | 1.3 percent | 20 percent | \$ 2,580 |
| 16.22 | 6,520 to 8,129 | 1.4 percent | 20 percent | \$ 2,580 |
| 16.23 | 8,130 to 11,389 | 1.5 percent | 20 percent | \$ 2,580 |
| 16.24 | 11,390 to 13,009 | 1.6 percent | 20 percent | \$ 2,580 |
| 16.25 | 13,010 to 14,649 | 1.7 percent | 20 percent | \$ 2,580 |
| 16.26 | 14,650 to 16,269 | 1.8 percent | 20 percent | \$ 2,580 |
| 16.27 | 16,270 to 17,879 | 1.9 percent | 25 percent | \$ 2,580 |
| 16.28 | 17,880 to 22,779 | 2.0 percent | 25 percent | \$ 2,580 |
| 16.29 | 22,780 to 24,399 | 2.0 percent | 30 percent | \$ 2,580 |
| 16.30 | 24,400 to 27,659 | 2.0 percent | 30 percent | \$ 2,580 |
| 16.31 | 27,660 to 39,029 | 2.0 percent | 35 percent | \$ 2,580 |
| 16.32 | 39,030 to 56,919 | 2.0 percent | 35 percent | \$ 2,090 |
| 16.33 | 56,920 to 65,049 | 2.0 percent | 40 percent | \$ 1,830 |
| 16.34 | 65,050 to 73,189 | 2.1 percent | 40 percent | \$ 1,510 |
| 16.35 | 73,190 to 81,319 | 2.2 percent | 40 percent | \$ 1,350 |
| 16.36 | 81,320 to 89,449 | 2.3 percent | 40 percent | \$ 1,180 |

| | | | | |
|------|-------------------------------|------------------------|-----------------------|---------------------|
| 17.1 | 89,450 to 94,339 | 2.4 percent | 45 percent | \$ 1,000 |
| 17.2 | 94,340 to 97,609 | 2.5 percent | 45 percent | \$ 830 |
| 17.3 | 97,610 to 101,559 | 2.5 percent | 50 percent | \$ 680 |
| 17.4 | 101,560 to 105,499 | 2.5 percent | 50 percent | \$ 500 |

| | | | <u>Percent Paid by</u> | <u>Maximum</u> |
|-------|----------------------------|--------------------------|------------------------|-----------------|
| | <u>Household Income</u> | <u>Percent of Income</u> | <u>Claimant</u> | <u>State</u> |
| | | | | <u>Refund</u> |
| 17.5 | | | | |
| 17.6 | | | | |
| 17.7 | | | | |
| 17.8 | <u>\$0 to 1,730</u> | <u>1.0 percent</u> | <u>10 percent</u> | <u>\$ 3,250</u> |
| 17.9 | <u>1,730 to 3,450</u> | <u>1.1 percent</u> | <u>10 percent</u> | <u>\$ 3,250</u> |
| 17.10 | <u>3,450 to 5,220</u> | <u>1.2 percent</u> | <u>10 percent</u> | <u>\$ 3,250</u> |
| 17.11 | <u>5,220 to 6,960</u> | <u>1.3 percent</u> | <u>15 percent</u> | <u>\$ 3,250</u> |
| 17.12 | <u>6,960 to 8,680</u> | <u>1.4 percent</u> | <u>15 percent</u> | <u>\$ 3,250</u> |
| 17.13 | <u>8,680 to 12,160</u> | <u>1.5 percent</u> | <u>15 percent</u> | <u>\$ 3,250</u> |
| 17.14 | <u>12,160 to 13,890</u> | <u>1.6 percent</u> | <u>15 percent</u> | <u>\$ 3,250</u> |
| 17.15 | <u>13,890 to 15,640</u> | <u>1.7 percent</u> | <u>15 percent</u> | <u>\$ 3,250</u> |
| 17.16 | <u>15,640 to 17,370</u> | <u>1.8 percent</u> | <u>15 percent</u> | <u>\$ 3,250</u> |
| 17.17 | <u>17,370 to 19,090</u> | <u>1.9 percent</u> | <u>20 percent</u> | <u>\$ 3,250</u> |
| 17.18 | <u>19,090 to 24,320</u> | <u>2.0 percent</u> | <u>20 percent</u> | <u>\$ 3,250</u> |
| 17.19 | <u>24,320 to 26,050</u> | <u>2.0 percent</u> | <u>25 percent</u> | <u>\$ 3,250</u> |
| 17.20 | <u>26,050 to 29,520</u> | <u>2.0 percent</u> | <u>25 percent</u> | <u>\$ 3,250</u> |
| 17.21 | <u>29,520 to 41,660</u> | <u>2.0 percent</u> | <u>30 percent</u> | <u>\$ 3,250</u> |
| 17.22 | <u>41,660 to 60,760</u> | <u>2.0 percent</u> | <u>30 percent</u> | <u>\$ 2,730</u> |
| 17.23 | <u>60,760 to 69,440</u> | <u>2.0 percent</u> | <u>35 percent</u> | <u>\$ 2,700</u> |
| 17.24 | <u>69,440 to 78,120</u> | <u>2.1 percent</u> | <u>35 percent</u> | <u>\$ 2,460</u> |
| 17.25 | <u>78,120 to 86,800</u> | <u>2.2 percent</u> | <u>35 percent</u> | <u>\$ 2,390</u> |
| 17.26 | <u>86,800 to 95,480</u> | <u>2.3 percent</u> | <u>35 percent</u> | <u>\$ 2,260</u> |
| 17.27 | <u>95,480 to 100,700</u> | <u>2.4 percent</u> | <u>40 percent</u> | <u>\$ 2,170</u> |
| 17.28 | <u>100,700 to 104,190</u> | <u>2.5 percent</u> | <u>45 percent</u> | <u>\$ 2,090</u> |
| 17.29 | <u>104,190 to 108,410</u> | <u>2.5 percent</u> | <u>50 percent</u> | <u>\$ 2,030</u> |
| 17.30 | <u>108,410 to 112,610</u> | <u>2.5 percent</u> | <u>50 percent</u> | <u>\$ 1,930</u> |
| 17.31 | <u>112,610 and greater</u> | <u>2.5 percent</u> | <u>60 percent</u> | <u>\$ 1,900</u> |

17.32 The payment made to a claimant shall be the amount of the state refund calculated under
 17.33 this subdivision. ~~No payment is allowed if the claimant's household income is \$105,500 or~~
 17.34 ~~more.~~

17.35 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
 17.36 payable in 2019 and following years.

18.1 Sec. 21. Minnesota Statutes 2016, section 290A.04, subdivision 2a, is amended to read:

18.2 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the
 18.3 percentage of the household income stated below must pay an amount equal to the percent
 18.4 of income shown for the appropriate household income level along with the percent to be
 18.5 paid by the claimant of the remaining amount of rent constituting property taxes. The state
 18.6 refund equals the amount of rent constituting property taxes that remain, up to the maximum
 18.7 state refund amount shown below.

| 18.8 | | | | Maximum |
|-------|-----------------------------|--------------------------|-----------------------|---------------------|
| 18.9 | | | Percent Paid by | State |
| 18.10 | Household Income | Percent of Income | Claimant | Refund |
| 18.11 | \$0 to 4,909 | 1.0 percent | 5 percent | \$ 2,000 |
| 18.12 | 4,910 to 6,529 | 1.0 percent | 10 percent | \$ 2,000 |
| 18.13 | 6,530 to 8,159 | 1.1 percent | 10 percent | \$ 1,950 |
| 18.14 | 8,160 to 11,439 | 1.2 percent | 10 percent | \$ 1,900 |
| 18.15 | 11,440 to 14,709 | 1.3 percent | 15 percent | \$ 1,850 |
| 18.16 | 14,710 to 16,339 | 1.4 percent | 15 percent | \$ 1,800 |
| 18.17 | 16,340 to 17,959 | 1.4 percent | 20 percent | \$ 1,750 |
| 18.18 | 17,960 to 21,239 | 1.5 percent | 20 percent | \$ 1,700 |
| 18.19 | 21,240 to 22,869 | 1.6 percent | 20 percent | \$ 1,650 |
| 18.20 | 22,870 to 24,499 | 1.7 percent | 25 percent | \$ 1,650 |
| 18.21 | 24,500 to 27,779 | 1.8 percent | 25 percent | \$ 1,650 |
| 18.22 | 27,780 to 29,399 | 1.9 percent | 30 percent | \$ 1,650 |
| 18.23 | 29,400 to 34,299 | 2.0 percent | 30 percent | \$ 1,650 |
| 18.24 | 34,300 to 39,199 | 2.0 percent | 35 percent | \$ 1,650 |
| 18.25 | 39,200 to 45,739 | 2.0 percent | 40 percent | \$ 1,650 |
| 18.26 | 45,740 to 47,369 | 2.0 percent | 45 percent | \$ 1,500 |
| 18.27 | 47,370 to 49,009 | 2.0 percent | 45 percent | \$ 1,350 |
| 18.28 | 49,010 to 50,649 | 2.0 percent | 45 percent | \$ 1,150 |
| 18.29 | 50,650 to 52,269 | 2.0 percent | 50 percent | \$ 1,000 |
| 18.30 | 52,270 to 53,909 | 2.0 percent | 50 percent | \$ 900 |
| 18.31 | 53,910 to 55,539 | 2.0 percent | 50 percent | \$ 500 |
| 18.32 | 55,540 to 57,169 | 2.0 percent | 50 percent | \$ 200 |
| 18.33 | | | | Maximum |
| 18.34 | | | Percent Paid by | State |
| 18.35 | <u>Household Income</u> | <u>Percent of Income</u> | <u>Claimant</u> | <u>Refund</u> |
| 18.36 | <u>\$0 to 5,240</u> | <u>0.8 percent</u> | <u>5 percent</u> | <u>\$ 2,130</u> |
| 18.37 | <u>5,240 to 6,970</u> | <u>1.0 percent</u> | <u>5 percent</u> | <u>\$ 2,130</u> |
| 18.38 | <u>6,970 to 8,710</u> | <u>1.1 percent</u> | <u>5 percent</u> | <u>\$ 2,080</u> |

| | | | | |
|-------|-------------------------|--------------------|-------------------|-----------------|
| 19.1 | <u>8,710 to 12,210</u> | <u>1.2 percent</u> | <u>5 percent</u> | <u>\$ 2,030</u> |
| 19.2 | <u>12,210 to 15,700</u> | <u>1.3 percent</u> | <u>10 percent</u> | <u>\$ 1,970</u> |
| 19.3 | <u>15,700 to 17,440</u> | <u>1.4 percent</u> | <u>10 percent</u> | <u>\$ 1,920</u> |
| 19.4 | <u>17,440 to 19,170</u> | <u>1.4 percent</u> | <u>15 percent</u> | <u>\$ 1,870</u> |
| 19.5 | <u>19,170 to 22,670</u> | <u>1.5 percent</u> | <u>15 percent</u> | <u>\$ 1,810</u> |
| 19.6 | <u>22,670 to 24,410</u> | <u>1.6 percent</u> | <u>15 percent</u> | <u>\$ 1,760</u> |
| 19.7 | <u>24,410 to 26,150</u> | <u>1.7 percent</u> | <u>20 percent</u> | <u>\$ 1,760</u> |
| 19.8 | <u>26,150 to 29,650</u> | <u>1.8 percent</u> | <u>20 percent</u> | <u>\$ 1,760</u> |
| 19.9 | <u>29,650 to 31,380</u> | <u>1.9 percent</u> | <u>25 percent</u> | <u>\$ 1,760</u> |
| 19.10 | <u>31,380 to 36,610</u> | <u>2.0 percent</u> | <u>25 percent</u> | <u>\$ 1,760</u> |
| 19.11 | <u>36,610 to 41,840</u> | <u>2.0 percent</u> | <u>30 percent</u> | <u>\$ 1,760</u> |
| 19.12 | <u>41,840 to 48,820</u> | <u>2.0 percent</u> | <u>35 percent</u> | <u>\$ 1,760</u> |
| 19.13 | <u>48,820 to 50,560</u> | <u>2.0 percent</u> | <u>40 percent</u> | <u>\$ 1,600</u> |
| 19.14 | <u>50,560 to 52,310</u> | <u>2.0 percent</u> | <u>40 percent</u> | <u>\$ 1,440</u> |
| 19.15 | <u>52,310 to 54,060</u> | <u>2.0 percent</u> | <u>40 percent</u> | <u>\$ 1,230</u> |
| 19.16 | <u>54,060 to 55,790</u> | <u>2.0 percent</u> | <u>45 percent</u> | <u>\$ 1,070</u> |
| 19.17 | <u>55,790 to 57,540</u> | <u>2.0 percent</u> | <u>45 percent</u> | <u>\$ 960</u> |
| 19.18 | <u>57,540 to 59,280</u> | <u>2.0 percent</u> | <u>45 percent</u> | <u>\$ 530</u> |
| 19.19 | <u>59,280 to 61,020</u> | <u>2.0 percent</u> | <u>45 percent</u> | <u>\$ 210</u> |

19.20 The payment made to a claimant is the amount of the state refund calculated under this
 19.21 subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$61,020
 19.22 or more.

19.23 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2018
 19.24 and following years.

19.25 Sec. 22. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended
 19.26 to read:

19.27 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms
 19.28 used in this chapter shall have the following meanings:

19.29 (1) "Commissioner" means the commissioner of revenue or any person to whom the
 19.30 commissioner has delegated functions under this chapter.

19.31 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued
 19.32 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,
 19.33 increased by the value of any property in which the decedent had a qualifying income interest

20.1 for life and for which an election was made under section 291.03, subdivision 1d, for
20.2 Minnesota estate tax purposes, but was not made for federal estate tax purposes.

20.3 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,
20.4 as amended through December ~~16, 2016~~ 31, 2017.

20.5 (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
20.6 excluding therefrom any property included in the estate which has its situs outside Minnesota,
20.7 and (b) including any property omitted from the federal gross estate which is includable in
20.8 the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

20.9 (5) "Nonresident decedent" means an individual whose domicile at the time of death
20.10 was not in Minnesota.

20.11 (6) "Personal representative" means the executor, administrator or other person appointed
20.12 by the court to administer and dispose of the property of the decedent. If there is no executor,
20.13 administrator or other person appointed, qualified, and acting within this state, then any
20.14 person in actual or constructive possession of any property having a situs in this state which
20.15 is included in the federal gross estate of the decedent shall be deemed to be a personal
20.16 representative to the extent of the property and the Minnesota estate tax due with respect
20.17 to the property.

20.18 (7) "Resident decedent" means an individual whose domicile at the time of death was
20.19 in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply
20.20 to determinations of domicile under this chapter.

20.21 (8) "Situs of property" means, with respect to:

20.22 (i) real property, the state or country in which it is located;

20.23 (ii) tangible personal property, the state or country in which it was normally kept or
20.24 located at the time of the decedent's death or for a gift of tangible personal property within
20.25 three years of death, the state or country in which it was normally kept or located when the
20.26 gift was executed;

20.27 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
20.28 Code, owned by a nonresident decedent and that is normally kept or located in this state
20.29 because it is on loan to an organization, qualifying as exempt from taxation under section
20.30 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
20.31 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

21.1 (iv) intangible personal property, the state or country in which the decedent was domiciled
 21.2 at death or for a gift of intangible personal property within three years of death, the state or
 21.3 country in which the decedent was domiciled when the gift was executed.

21.4 For a nonresident decedent with an ownership interest in a pass-through entity with
 21.5 assets that include real or tangible personal property, situs of the real or tangible personal
 21.6 property, including qualified works of art, is determined as if the pass-through entity does
 21.7 not exist and the real or tangible personal property is personally owned by the decedent. If
 21.8 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
 21.9 of the property is attributed to the decedent in proportion to the decedent's capital ownership
 21.10 share of the pass-through entity.

21.11 (9) "Pass-through entity" includes the following:

21.12 (i) an entity electing S corporation status under section 1362 of the Internal Revenue
 21.13 Code;

21.14 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

21.15 (iii) a single-member limited liability company or similar entity, regardless of whether
 21.16 it is taxed as an association or is disregarded for federal income tax purposes under Code
 21.17 of Federal Regulations, title 26, section 301.7701-3; or

21.18 (iv) a trust to the extent the property is includible in the decedent's federal gross estate;
 21.19 but excludes

21.20 (v) an entity whose ownership interest securities are traded on an exchange regulated
 21.21 by the Securities and Exchange Commission as a national securities exchange under section
 21.22 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

21.23 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
 21.24 dying after December 31, 2017.

21.25 Sec. 23. **REPEALER.**

21.26 Minnesota Statutes 2016, sections 290.0131, subdivisions 7, 11, and 13; 290.0132,
 21.27 subdivisions 19 and 20; 290.0133, subdivisions 13 and 14; and 290.10, subdivision 2, are
 21.28 repealed.

21.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 21.30 31, 2017.

290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 7. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

Subd. 11. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount is an addition.

(b) The disallowed personal exemption amount is equal to the number of personal exemptions allowed under section 151(b) and (c) of the Internal Revenue Code multiplied by the dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage.

(c) For a married individual filing a separate return, "applicable percentage" means two percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. For all other filers, applicable percentage means two percentage points for each \$2,500, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. The applicable percentage must not exceed 100 percent.

(d) "Threshold amount" means:

(1) \$150,000 for a joint return or a surviving spouse;

(2) \$125,000 for a head of a household;

(3) \$100,000 for an individual who is not married and who is not a surviving spouse or head of a household; and

(4) \$75,000 for a married individual filing a separate return.

(e) The thresholds must be increased by an amount equal to:

(1) the threshold dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3).

290.0132 INDIVIDUALS; SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.

Subd. 19. **Disallowed itemized deductions.** The amount of the limitation on itemized deductions under section 68(b) of the Internal Revenue Code is a subtraction.

Subd. 20. **Disallowed personal exemption.** The amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.

290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 13. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

Subd. 14. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

290.10 NONDEDUCTIBLE ITEMS.

Subd. 2. **Fines, fees, and penalties.** (a) Except as provided in this subdivision, no deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any amount paid or incurred, whether by suit, agreement, or otherwise, to, or at the direction of, a government or entity described in paragraph (d) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

APPENDIX
Repealed Minnesota Statutes: HF2942-0

(b) Exception for amounts constituting restitution or paid to come into compliance with the law. Paragraph (a) does not apply to any amount which:

(1) the taxpayer establishes:

(i) constitutes restitution, including remediation of property for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law; or

(ii) is paid to come into compliance with any law which was violated or involved in the investigation or inquiry; and

(2) is identified as restitution or as an amount paid to come into compliance with the law, as the case may be, in the court order or settlement agreement.

This paragraph does not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

(c) Paragraph (a) does not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (d) is a party.

(d) An entity is described in this paragraph if it is:

(1) a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, in connection with a qualified board or exchange, as defined in section 1256(g)(7) of the Internal Revenue Code, or;

(2) to the extent provided in federal regulations, a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, as part of performing an essential governmental function.

(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.