268.145 INCOME TAX WITHHOLDING.

Subdivision 1. **Notification.** (a) Upon filing an application for unemployment benefits, the applicant must be informed that:

(1) unemployment benefits are subject to federal and state income tax;

(2) there are requirements for filing estimated tax payments;

(3) the applicant may elect to have federal income tax withheld from unemployment benefits;

(4) if the applicant elects to have federal income tax withheld, the applicant may, in addition, elect to have Minnesota state income tax withheld; and

(5) at any time during the benefit year the applicant may change a prior election.

(b) If an applicant elects to have federal income tax withheld, the commissioner must deduct ten percent for federal income tax. If an applicant also elects to have Minnesota state income tax withheld, the commissioner must make an additional five percent deduction for state income tax. Any amount deducted under section 268.085 has priority over any amounts deducted under this section. Federal income tax withholding has priority over state income tax withholding.

(c) An election to have income tax withheld may not be retroactive and only applies to unemployment benefits paid after the election.

Subd. 2. **Transfer of funds.** The amount of any unemployment benefits deducted under this section remains in the trust fund until transferred to the federal Internal Revenue Service, or the Department of Revenue, as an income tax payment on behalf of the applicant.

Subd. 3. **Correction of errors.** Any error that resulted in underwithholding or overwithholding under this section will not be corrected retroactively.

Subd. 4. **Federal requirement.** The commissioner must follow all federal requirements for the deduction and withholding of income tax from unemployment benefits.

Subd. 5. **Effect of payments.** Any amount deducted under this section is considered as unemployment benefits paid to the applicant.

History: *1996 c 417 s 17; 1997 c 66 s 79; 1998 c 254 art 1 s 73; 1999 c 107 s 53,66; 2000 c 343 s 4; 1Sp2001 c 4 art 2 s 23; 1Sp2003 c 3 art 2 s 20; 2004 c 183 s 77; 2005 c 112 art 2 s 35; 2007 c 128 art 6 s 84-86; 2008 c 300 s 51; 2009 c 78 art 4 s 42,50; 1Sp2019 c 7 art 8 s 5*