CHAPTER 290

INCOME AND FRANCHISE TAXES

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290.001 MS 2006 [Renumbered 15.001]

290.01 DEFINITIONS.

Subdivision 1. **Words, terms, and phrases.** Unless the language or context clearly indicates that a different meaning is intended, the following words, terms, and phrases, for the purposes of this chapter, shall be given the meanings subjoined to them.

Subd. 1a. **Uniform Probate Code.** The definitions set forth in section 524.1-201, wherever appropriate to the administration of the provisions of this chapter, are incorporated by reference herein.

Subd. 2. **Person.** The term "person" includes individuals, fiduciaries, estates, trusts, and partnerships and may, where the context requires, include corporations as herein defined.

Subd. 3. **Partnership; partner.** The terms "partnership" and "partner" have the meanings given in section 7701(a)(2) of the Internal Revenue Code.

Subd. 3a. **Trust.** The term "trust" has the meaning provided under the Internal Revenue Code, and also means designated settlement fund as defined in and taxed federally under section 468B of the Internal Revenue Code.

Subd. 3b. **Limited liability company.** For purposes of this chapter and chapter 289A, a limited liability company that is formed under either the laws of this state or under similar laws of another state, will be treated as an entity similar to its treatment for federal income tax purposes.

Subd. 3c. **Determination of marital status.** The determination of marital status is made by section 7703 of the Internal Revenue Code.

Subd. 4. **Corporation.** The term "corporation" shall include every entity which is a corporation under section 7701(a)(3) or is treated as a corporation under section 851(g) or 7704 of the Internal Revenue Code and financial institutions. A corporation's franchise is its authorization to exist and conduct business, whether created by legislation, by executive order, by a governmental agency, by contract or other private action, or by some combination thereof. Every corporation is deemed to have a corporate franchise. An entity described in section 646(b) of the Tax Reform Act of 1986, Public Law 99-514, as amended by section 1006(k) of the Technical and Miscellaneous Revenue Act of 1988, Public Law 100-647, shall be classified in the same manner for purposes of this chapter as it is for federal income tax purposes.

Subd. 4a. **Financial institution.** (a) "Financial institution" means:

(1) any corporation or other business entity registered (i) under state law as a bank holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended; or (iii) as a savings and loan holding company under the federal National Housing Act, as amended;

(2) a national bank organized and existing as a national bank association pursuant to the provisions of United States Code, title 12, chapter 2;

(3) a savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1);

(4) any bank or thrift institution incorporated or organized under the laws of any state;

(5) any corporation organized under United States Code, title 12, sections 611 to 631;

(6) any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101;

(7) any corporation or other business entity that is more than 50 percent owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 297I;

(8) a corporation or other business entity that derives more than 50 percent of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles; or

(9) any other person or business entity, other than an insurance company, that derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

(b) The commissioner is authorized to exclude any person from the application of paragraph (a), clause (9), if the person proves by clear and convincing evidence that the person's income-producing activity is not in substantial competition with any person described in paragraph (a), clauses (2) to (6) or (8).

Subd. 4b. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 4c. **Mutual insurance holding companies.** A "mutual insurance holding company" is not an insurance company for purposes of this chapter.

Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the Commonwealth of Puerto Rico, or any possession of the United States; or

(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code.

Subd. 5a. **Foreign corporation.** The term "foreign," when applied to a corporation, means a corporation other than a domestic corporation.

Subd. 5b. **Insurance company.** The terms "insurance company," "life insurance company," and "insurance company other than life," have the meanings given in the Internal Revenue Code.

Subd. 5c. **Disqualified captive insurance company.** (a) "Captive insurance company" means a company that:

(1) is licensed as a captive insurance company under the laws of any state or foreign country; or

(2) derives less than 50 percent of its total premiums for the taxable year from sources outside of the unitary business, as that term is used in section 290.17.

(b) A captive insurance company is a "disqualified captive insurance company" if the company:

(1) pays less than 0.5 percent of its total premiums for the taxable year in tax under chapter 297I or a comparable tax of another state; or

(2) receives less than 50 percent of its gross receipts for the taxable year from premiums.

(c) For purposes of this subdivision, "premiums" means amounts paid for arrangements that constitute insurance for federal income tax purposes, but excludes return premiums, premiums for reinsurance assumed from other insurance companies, and any other premiums that are or would be exempt from taxation under section 297I.05 as a result of their type or character, if the insurance was for business in Minnesota.

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.

Subd. 6a. MS 1988 [Repealed, 1989 c 28 s 26]

Subd. 6b. MS 2012 [Repealed, 2013 c 143 art 6 s 34]

Subd. 7. **Resident.** (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) In determining where an individual is domiciled, neither the commissioner nor any court shall consider:

(1) charitable contributions made by the individual within or without the state;

(2) the location of the individual's attorney, certified public accountant, or financial adviser; or

(3) the place of business of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account.

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

(1) "financial adviser" means:

(i) an individual or business entity engaged in business as a certified financial planner, registered investment adviser, licensed insurance producer or agent, or registered securities broker-dealer representative; or

(ii) a financial institution providing services related to trust or estate administration, investment management, or financial planning; and

(2) "financial institution" means a financial institution as defined in section 47.015, subdivision 1; a state or nationally chartered credit union; or a registered broker-dealer under the Securities and Exchange Act of 1934.

Subd. 7a. **Resident estate.** Resident estate means the estate of a deceased person where (1) the decedent was domiciled in Minnesota at the date of death, or (2) the personal representative or fiduciary was appointed by a Minnesota court in a proceeding other than an ancillary proceeding, or (3) the administration of the estate is carried on in Minnesota in a proceeding other than an ancillary proceeding.

Subd. 7b. **Resident trust.** (a) Resident trust means a trust, except a grantor type trust, which either (1) was created by a will of a decedent who at death was domiciled in this state or (2) is an irrevocable trust, the grantor of which was domiciled in this state at the time the trust became irrevocable. For the purpose of this subdivision, a trust is considered irrevocable to the extent the grantor is not treated as the owner thereof under sections 671 to 678 of the Internal Revenue Code. The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code. This paragraph applies to trusts, except grantor type trusts, that became irrevocable after December 31, 1995, or are first administered in Minnesota after December 31, 1995.

(b) This paragraph applies to trusts, except grantor type trusts, that are not governed under paragraph (a). A trust, except a grantor type trust, is a resident trust only if two or more of the following conditions are satisfied:

(1) a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;

(2) a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota;

(3) the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

(c) For purposes of paragraph (b), if the trustees delegate decisions and actions to an agent or custodian, the actions and decisions of the agent or custodian must not be taken into account in determining whether the trust is administered in Minnesota, if:

(1) the delegation was permitted under the trust agreement;

(2) the trustees retain the power to revoke the delegation on reasonable notice; and

(3) the trustees monitor and evaluate the performance of the agent or custodian on a regular basis as is reasonably determined by the trustees.

Subd. 8. **Fiduciary.** The term "fiduciary" means a guardian, trustee, receiver, conservator, personal representative, or any person acting in any fiduciary capacity for any person or corporation.

Subd. 8a. **Personal representative.** The term "personal representative" includes executor, administrator, successor personal representative, special administrator, and persons who perform substantially the same function under the law governing their status.

Subd. 9. **Taxable year.** The term "taxable year" means the period for which the taxes levied by this chapter are imposed. It shall be a calendar year, a fiscal year, or, in cases where returns for a fractional part of a year are permitted or required, the period for which such return is made.

Subd. 10. **Fiscal year.** The term "fiscal year" means an accounting period of 12 months ending on the last day of any month other than December. In the case of any taxpayer who has made the election provided by section 289A.08, subdivision 5, the term means the annual period (varying from 52 to 53 weeks) so elected.

Subd. 11. **Paid or incurred, paid or accrued, received, or received or accrued.** The terms "paid or incurred" and "paid or accrued" shall be construed according to the method of accounting upon the basis of which net income is computed for the purposes of the taxes imposed by this chapter; and the terms "received" and "received or accrued" shall be similarly construed.

Subd. 12. **Stock or share.** The term "stock" or "share" means the interest of a member in a corporation however evidenced.

Subd. 13. **Stockholder or shareholder.** The term "stockholder" or "shareholder" means the owner of any such "stock" or "share."

Subd. 14. **State or this state.** The term "state" or "this state" means the state of Minnesota.

Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

Subd. 15. **Includes.** The term "includes" and its derivatives, when used in a definition contained in this chapter, shall not exclude other things otherwise within the meaning of the term defined.

Subd. 16. **Commissioner.** The term "commissioner" means the commissioner of revenue of the state of Minnesota.

Subd. 17. **Property.** The term "property" includes every form of property, real, personal, or mixed, tangible or intangible, and every interest therein, legal or equitable, irrespective of how created or arising. Property pledged or mortgaged shall be treated as owned by the pledgor or mortgagor.

Subd. 18. **Duty on estate or trust.** When, in this chapter, the estate of a decedent or a trust is referred to as a taxable person, or a duty is imposed on such estate or trust, the reference may be construed as meaning the fiduciary in charge of the property of such estate or trust, and the duty shall be treated as imposed on such fiduciary.

Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a corporation taxable under section 290.02, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating

the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136 and 290.035.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, 290.0135 to 290.0137, and 290.035.

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

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

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

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

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

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

(f) The Internal Revenue Code of 1986, as amended through May 1, 2026, applies for taxable years beginning after December 31, 1996.

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

(h) In the case of a partnership electing to file a composite return under section 289A.08, subdivision 7, "net income" means the partner's share of federal adjusted gross income from the partnership modified by section 290.035 and:

(1) the additions provided in sections 290.0131, subdivisions 8 to 10, 16, 17, 19, and 24 to 26, and 290.0137, paragraph (a); and

(2) the subtractions provided in: (i) section 290.0132, subdivisions 9, 27, 28, 31, 40, and 41, to the extent the amount is assignable or allocable to Minnesota under section 290.17; (ii) section 290.0132, subdivision 14; and (iii) section 290.0137, paragraph (c).

The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

(i) In the case of a qualifying entity electing to pay the pass-through entity tax under section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal adjusted gross income from the qualifying entity modified by section 290.035 and the additions provided in section 290.0131, subdivisions

5, 8 to 10, 16, 17, 19, and 24 to 26, and the subtractions provided in: (1) section 290.0132, subdivisions 3, 9, 27, 28, 31, 40, and 41, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the pass-through entity tax computation to the extent the qualifying owners would have been allowed the subtraction.

Subd. 19a. MS 2014 [Repealed, 2016 c 158 art 3 s 32]

Subd. 19b. MS 2014 [Repealed, 2016 c 158 art 3 s 32]

Subd. 19c. MS 2014 [Repealed, 2016 c 158 art 3 s 32]

Subd. 19d. MS 2014 [Repealed, 2016 c 158 art 3 s 32]

Subd. 19e. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 19f. [Renumbered 290.0135]

Subd. 19g. MS 2000 [Repealed, 2002 c 377 art 10 s 32]

Subd. 19h. [Renumbered 290.0136]

Subd. 19i. MS 2022 [Repealed, 2023 c 64 art 1 s 53]

Subd. 20. **Gross income.** The term "gross income" means the gross income as defined in section 61 of the Internal Revenue Code of 1986, as amended through the date named in subdivision 19 for the applicable taxable year, plus any additional items of income taxable under this chapter but not taxable under the Internal Revenue Code, less any items included in federal gross income but of a character exempt from state income tax under the laws of the United States.

Subd. 20a. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 20b. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 20c. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 20d. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 20e. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 20f. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 21. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 21a. **Adjusted gross income; federal adjusted gross income.** (a) The terms "adjusted gross income" and "federal adjusted gross income" mean adjusted gross income, as defined in section 62 of the Internal Revenue Code, as amended through the date named in subdivision 19, paragraph (f), incorporating the federal effective date of changes to the Internal Revenue Code and any elections made by the taxpayer under the Internal Revenue Code in determining federal adjusted gross income for federal income tax purposes.

(b) When computing federal adjusted gross income for purposes of credits and deductions, a taxpayer must calculate their federal adjusted gross income without any deduction for the specified income tax payments as defined in Internal Revenue Code Notice 2020-75. The taxpayer must provide detailed substantiation to support the computation.

Subd. 22. **Taxable net income.** For tax years beginning after December 31, 1986, the term "taxable net income" means:

(1) for resident individuals the same as net income;

(2) for individuals who were not residents of Minnesota for the entire year, the same as net income except that the tax is imposed only on the Minnesota apportioned share of that income as determined pursuant to section 290.06, subdivision 2c, paragraph (e);

(3) for all other taxpayers, the part of net income that is allocable to Minnesota by assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, and 290.36.

Subd. 23. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

Subd. 24. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 25. MS 1982 [Repealed, 1983 c 15 s 33]

Subd. 26. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 27. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

Subd. 28. MS 1982 [Repealed, 1983 c 207 s 44; 1983 c 342 art 1 s 44]

Subd. 29. **Taxable income.** The term "taxable income" means:

(1) for individuals, estates, and trusts, the same as taxable net income;

(2) for corporations, the taxable net income less

(i) the net operating loss deduction under section 290.095; and

(ii) the dividends received deduction under section 290.21, subdivision 4.

Subd. 29a. **State itemized deduction.** "State itemized deduction" means the itemized deductions for individual income tax allowed under section 290.0122, subdivision 1, reduced by the limit under section 290.0122, subdivision 2.

Subd. 30. **References to Internal Revenue Code.** Except when inappropriate, a reference in this chapter (1) to the Internal Revenue Code of 1954 includes a reference to the Internal Revenue Code of 1986, and (2) to the Internal Revenue Code of 1986 includes a reference to the provisions of law formerly known as the Internal Revenue Code of 1954.

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 1, 2026. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

Subd. 32. MS 2000 [Repealed, 2002 c 377 art 10 s 32]

Subd. 33. **Earned income.** "Earned income" has the meaning given in section 32(c) of the Internal Revenue Code, except a taxpayer must use earned income from the taxable year for which the taxpayer filed a return.

History: *(2394-1, 2394-10, 2394-21, 2394-22) 1933 c 405 s 1,10,11,21,22; Ex1937 c 49 s 16; 1941 c 550 s 4,11; 1943 c 656 s 1,11; 1945 c 604 s 1,2,19; 1947 c 635 s 1; 1949 c 541 s 1; 1949 c 734 s 1-3; 1953 c 648 s 1; 1955 c 21 s 1; 1955 c 122 s 1; 1955 c 385 s 1; 1957 c 621 s 9; 1957 c 769 s 1; Ex1959 c 83 s 1; 1961 c 213 art 4 s 1; Ex1961 c 51 s 1; 1963 c 355 s 1; 1967 c 579 s 1; 1969 c 575 s 1; 1971 c 206 s 1; 1971 c 769 s 1,2; 1971 c 771 s 1; 1973 c 232 s 1; 1973 c 582 s 3; 1973 c 711 s 1,3; 1973 c 737 s 1; 1974 c 157 s 2; 1974 c 201 s 1; 1975 c 47 s 1; 1975 c 226 s 2; 1975 c 349 s 1-6,29; 1976 c 2 s 101; 1976 c 210 s 12; 1977 c 298 s 1; 1977 c 376 s 1,13; 1977 c 423 art 1 s 1; 1977 c 429 s 63; 1978 c 674 s 30; 1978 c 721 art 6 s 1; 1978 c 763 s 2; 1978 c 767 s 14,15; 1979 c 50 s 38; 1979 c 303 art 1 s 1; 1980 c 419 s 1; 1980 c 439 s 1; 1980 c 512 s 8; 1980 c 607 art 1 s 1,2,32; 1981 c 49 s 1; 1981 c 60 s 1,27; 1981 c 178 s 1-9; 1981 c 254 s 2; 1981 c 261 s 20; 1981 c 344 s 1; 1Sp1981 c 1 art 9 s 5; 3Sp1981 c 2 art 3 s 2; 1982 c 523 art 1 s 1,2; art 7 s 1; art 40 s 1,2,14; 3Sp1982 c 1 art 5 s 1,2; 1983 c 207 s 2-6,43; 1983 c 342 art 1 s 1-5,43; 1984 c 502 art 2 s 3; 1984 c 514 art 1 s 1,2,8; art 2 s 3-7; 1984 c 655 art 1 s 47; 1985 c 2 s 1; 1Sp1985 c 14 art 1 s 7-12; art 13 s 1; art 21 s 1,2,49; 1Sp1985 c 16 art 2 s 27; 1986 c 398 art 21 s 1; 1986 c 444; 1Sp1986 c 1 art 1 s 1,9; 1987 c 268 art 1 s 4-21,126; 1988 c 719 art 1 s 1-5; art 2 s 7-14; art 3 s 1-3,12; 1989 c 27 art 1 s 2; 1989 c 28 s 1-9,25; 1Sp1989 c 1 art 10 s 5,6; 1990 c 480 art 1 s 46; 1990 c 604 art 2 s 2,16; 1990 c 612 s 1; 1991 c 291 art 6 s 18-20,46; art 7 s 4; 1992 c 511 art 6 s 11,19; 1992 c 517 art 1 s 10; 1992 c 549 art 9 s 4; 1993 c 375 art 8 s 5-8,14; 1994 c 510 art 2 s 4,5; 1994 c 587 art 1 s 6-9,24; 1995 c 186 s 55,56; 1995 c 255 art 3 s 1; 1995 c 264 art 1 s 2,4; art 10 s 6; 1996 c 471 art 1 s 3; art 4 s 3,4; 1997 c 31 art 1 s 13,14; 1997 c 231 art 5 s 2-4; art 6 s 2-7; art 15 s 15; 1Sp1997 c 4 art 13 s 1; 1998 c 389 art 6 s 2-5; art 7 s 2-5,12; 1998 c 397 art 11 s 3; 1999 c 243 art 2 s 2-7; art 3 s 2-4; 2000 c 260 s 50; 2000 c 490 art 4 s 5-8; art 12 s 2,3; 2000 c 499 s 7; 1Sp2001 c 5 art 9 s 1-7; art 10 s 2-6; 2002 c 377 art 1 s 1; art 2 s 3-8; 2003 c 127 art 3 s 6-9; art 4 s 2,3; 1Sp2003 c 21 art 1 s 3,4; art 2 s 3; art 3 s 2,3; 2005 c 1 s 1; 2005 c 56 s 1; 2005 c 151 art 6 s 11-14; 1Sp2005 c 3 art 3 s 5-7; art 4 s 2-7; art 10 s 2,3; 1Sp2005 c 7 s 38; 2006 c 259 art 2 s 2-5; 2007 c 1 s 1-3; 2008 c 154 art 3 s 2-4; art 4 s 2-5; art 11 s 11,12; 2008 c 233 art 3 s 1; 2008 c 277 art 1 s 97; 2008 c 366 art 4 s 3-6; art 12 s 2; 2009 c 12 art 1 s 2-7; 2009 c 86 art 1 s 90; 2009 c 88 art 1 s 2-7; art 7 s 7; 2010 c 187 s 1,2; 2010 c 216 s 8,9; 2010 c 389 art 3 s 8-10; 2011 c 8 s 2-5; 2011 c 112 art 6 s 1,2; 1Sp2011 c 7 art 2 s 2-5; 2012 c 294 art 2 s 9,10; 2013 c 3 s 3,4; 2013 c 143 art 6 s 6-9; 2014 c 150 art 1 s 9-13; 2014 c 157 art 2 s 5; 2014 c 308 art 4 s 10-13; art 9 s 60-63; 2015 c 1 s 2,3; 2016 c 158 art 1 s 159; art 3 s 6,7,31; 2016 c 189 art 13 s 57; 2017 c 1 s 2,3; 1Sp2017 c 1 art 1 s 4,5; 2018 c 182 art 1 s 72; 1Sp2019 c 6 art 1 s 8-14; art 2 s 10,11; 1Sp2021 c 14 art 1 s 4,5; 2023 c 1 s 4-6; 2023 c 64 art 1 s 16,17; art 2 s 2,3; 2026 c 88 art 1 s 170; 2026 c 128 art 1 s 2,3; art 2 s 11; art 9 s 2; art 11 s 7*

290.011 MS 1982 [Repealed, 1984 c 514 art 2 s 36]

290.0111 MS 2022 [Repealed, 2023 c 1 s 30]

290.012 MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

290.0121 DEPENDENT EXEMPTION.

Subdivision 1. **Exemption amount.** (a) A taxpayer's dependent exemption equals:

(1) the exemption amount multiplied by the number of individuals who are dependents, as defined in sections 151 and 152 of the Internal Revenue Code, of the taxpayer for the taxable year; minus

(2) the disallowed exemption amount under subdivision 2, but the remainder may not be less than zero.

(b) The exemption amount equals $4,250.

Subd. 2. **Disallowed exemption amount.** (a) The disallowed exemption amount equals the dependent exemption allowed under subdivision 1, paragraph (a), clause (1), multiplied by the applicable percentage.

(b) 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.

(c) "Threshold amount" means:

(1) $291,950 for a joint return or a surviving spouse;

(2) $243,300 for a head of a household;

(3) $194,650 for an individual who is not married and who is not a surviving spouse or head of a household; and

(4) half the amount for a joint return for a married individual filing a separate return.

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, 2019, the commissioner must adjust for inflation the exemption amount in subdivision 1, paragraph (b), and the threshold amounts in subdivision 2, as provided in section 270C.22. The statutory year is taxable year 2019. The amounts as adjusted must be rounded down to the nearest $50 amount. The threshold amount for married individuals filing separate returns must be one-half of the adjusted amount for married individuals filing joint returns.

History: *1Sp2019 c 6 art 1 s 15; 2020 c 83 art 1 s 73; 1Sp2021 c 14 art 12 s 3*

290.0122 ITEMIZED DEDUCTIONS.

Subdivision 1. **Itemized deductions.** A taxpayer's itemized deductions equal the sum of the amounts allowed as a deduction under this section, reduced by the amount calculated under subdivision 2.

Subd. 2. **Deductions limited; inflation adjustment.** (a) The itemized deductions of a taxpayer with adjusted gross income over $220,650 are reduced by the lesser of:

(1) three percent of the excess of the taxpayer's adjusted gross income over $220,650 but not over $304,970; plus ten percent of the taxpayer's adjusted gross income over $304,970; or

(2) 80 percent of the amount of the taxpayer's itemized deductions.

(b) Notwithstanding paragraph (a), for a taxpayer with adjusted gross income over $1,000,000, a taxpayer's itemized deductions are reduced by 80 percent.

(c) For a married individual filing a separate return, the reduction under paragraph (a) must be calculated using one-half of the adjusted gross income amounts specified in that paragraph.

(d) For the purposes of this subdivision, "itemized deductions" means the itemized deductions otherwise allowable to the taxpayer under subdivision 1, except itemized deductions excludes:

(1) the portion of the deduction for interest under subdivision 5 that represents investment interest;

(2) the deduction for medical expenses under subdivision 6; and

(3) the deduction for losses under subdivision 8.

(e) For taxable years beginning after December 31, 2023, the commissioner must adjust for inflation the adjusted gross income amounts under paragraphs (a) and (b) as provided in section 270C.22. The statutory year is taxable year 2023. The amounts as adjusted must be rounded down to the nearest $50 amount. The threshold amount for married individuals filing separate returns must be one-half of the adjusted amount for married individuals filing joint returns.

Subd. 3. **Taxes paid.** (a) A taxpayer is allowed a deduction for taxes paid. The deduction equals the sum of the following amounts for the taxable year:

(1) state and local personal property taxes and real property taxes, in a total amount for both types not to exceed $10,000, or $5,000 for a married taxpayer filing a separate return;

(2) foreign income, war profits, and excess profits taxes to the extent not reduced by the federal foreign tax credit; and

(3) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit, and to the extent not deducted under clause (2).

(b) For purposes of this subdivision, the following terms have the meanings given them:

(1) "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(2) "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code; and

(3) "foreign income, war profits, and excess profits taxes" and "state and local real and personal property taxes" have the meanings given in section 164 of the Internal Revenue Code.

Subd. 4. **Charitable contributions.** (a) A taxpayer is allowed a deduction for charitable contributions. The deduction equals the amount of the charitable contribution deduction allowable to the taxpayer under section 170 of the Internal Revenue Code, including the denial of the deduction under section 408(d)(8), except that, notwithstanding section 170(b)(1)(I) of the Internal Revenue Code, the deduction is limited to contributions in excess of one percent of the taxpayer's contribution base for the taxable year.

(b) For taxable years beginning after December 31, 2017, the determination of carryover amounts must be made by applying the rules under section 170 of the Internal Revenue Code based on the charitable contribution deductions claimed and allowable under this section.

Subd. 5. **Interest.** A taxpayer is allowed a deduction for interest. The deduction equals the amount allowed to the taxpayer as interest paid or accrued during the taxable year under section 163 of the Internal Revenue Code with the following exceptions:

(1) qualified residence interest excludes home equity interest;

(2) acquisition indebtedness must not exceed $750,000, or $375,000 for a married separate return, for indebtedness incurred on or after December 16, 2017; and

(3) mortgage insurance premiums treated as interest under section 163(h)(3)(E) are not interest for the purposes of this subdivision.

Subd. 6. **Medical expenses.** A taxpayer is allowed a deduction for medical expenses. The deduction equals the amount allowed under section 213 of the Internal Revenue Code, except that the threshold percentage of adjusted gross income in paragraph (a) is ten percent regardless of the federal percentage for the taxable year.

Subd. 7. **Unreimbursed employee expenses.** A taxpayer is allowed a deduction for unreimbursed employee expenses. The deduction equals the amount of the taxpayer's trade or business expenses incurred as an employee and allowed under section 162 of the Internal Revenue Code in excess of two percent of the taxpayer's adjusted gross income, disregarding the suspension of the deduction in section 67, paragraph (g), of the Internal Revenue Code.

Subd. 8. **Losses.** A taxpayer is allowed a deduction for losses allowed under section 165(a) of the Internal Revenue Code, including the limitation provided by section 67(b)(3) of the Internal Revenue Code, for the following:

(1) losses described in section 165(c)(3) of the Internal Revenue Code, including the provisions of section 165(h) of the Internal Revenue Code, but disregarding paragraph (h)(5); and

(2) losses described in section 165(d) of the Internal Revenue Code.

Subd. 9. **Miscellaneous deduction.** A taxpayer is allowed a miscellaneous deduction. The deduction equals the sum of the following amounts for the taxable year:

(1) impairment-related work expenses allowed under section 67(d) of the Internal Revenue Code;

(2) the deduction for estate tax under section 691(c) of the Internal Revenue Code;

(3) any deduction allowable in connection with personal property used in a short sale as described under section 67(b)(8) of the Internal Revenue Code;

(4) the deduction under section 1341 of the Internal Revenue Code;

(5) the deduction under section 72(b)(3) of the Internal Revenue Code;

(6) the deduction under section 171 of the Internal Revenue Code; and

(7) the deduction under section 216 of the Internal Revenue Code.

History: *1Sp2019 c 6 art 1 s 16; 1Sp2021 c 14 art 1 s 7; 2022 c 55 art 1 s 140; 2023 c 64 art 1 s 18; 2026 c 128 art 1 s 4*

290.0123 STANDARD DEDUCTION.

Subdivision 1. **Standard deduction amount.** A taxpayer's standard deduction equals:

(1) for a married joint filer or a surviving spouse, $27,650;

(2) for a head of household filer, $20,800; or

(3) for any other filer, one-half the amount in clause (1); plus

(4) the additional amount for the taxpayer under subdivision 2.

A taxpayer's standard deduction amount is reduced in accordance with subdivision 5.

Subd. 2. **Additional amount for seniors or blind taxpayers.** (a) The additional amount equals the sum of the following amounts:

(1) $1,450 if the taxpayer has attained age 65 before the close of the taxable year or $1,850 for such a taxpayer who is not married or a surviving spouse;

(2) $1,450 for the spouse of the taxpayer if the spouse has attained the age of 65 before the close of the taxable year and qualifies for an exemption under section 151(b) of the Internal Revenue Code;

(3) $1,450 if the taxpayer is blind at the close of the taxable year or $1,850 for such a taxpayer who is not married or a surviving spouse; and

(4) $1,450 for the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and qualifies for an exemption under section 151(b) of the Internal Revenue Code.

(b) The commissioner must disregard section 151(d)(5) of the Internal Revenue Code when determining if the taxpayer's spouse is eligible for an exemption under paragraph (a).

Subd. 3. **Amount for dependents.** For an individual who is a dependent, as defined in sections 151 and 152 of the Internal Revenue Code, of another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the standard deduction for that individual is limited to the greater of:

(1) $1,200; or

(2) the lesser of: (i) the sum of $350 and that individual's earned income; or (ii) the standard deduction amount allowed under subdivision 1, clause (3).

Subd. 4. **Deduction disallowed.** The standard deduction is zero for: (1) a married individual filing a separate return if either spouse itemizes deductions; (2) an individual making a return for a period of less than twelve months on account of changes in the annual accounting period; and (3) a nonresident alien individual, except as allowed under a United States income tax treaty.

Subd. 5. **Deduction limited.** (a) The standard deduction of a taxpayer with adjusted gross income over $220,650 is reduced by the lesser of:

(1) three percent of the excess of the taxpayer's adjusted gross income over $220,650 but not over $304,970; plus ten percent of the taxpayer's adjusted gross income over $304,970; or

(2) 80 percent of the standard deduction otherwise allowable under this section.

(b) Notwithstanding paragraph (a), for a taxpayer with adjusted gross income over $1,000,000, the standard deduction is reduced by 80 percent of the standard deduction otherwise allowable under this section.

(c) For a married individual filing a separate return, the reduction under paragraph (a) must be calculated using one-half of the adjusted gross income amounts specified in that paragraph.

Subd. 6. **Inflation adjustment.** For taxable years beginning after December 31, 2023, the commissioner must adjust for inflation the standard deduction amounts in subdivision 1, the additional amounts in

subdivision 2, the amounts in subdivision 3, and the adjusted gross income amounts in subdivision 5 as provided in section 270C.22. The statutory year is taxable year 2023. The amounts as adjusted must be rounded down to the nearest $50 amount. The standard deduction amount for married individuals filing separate returns is one-half of the adjusted amount for married individuals filing joint returns.

History: *1Sp2019 c 6 art 1 s 17; 2023 c 1 s 7; 2023 c 64 art 1 s 19,20; 2024 c 76 s 1-3*

290.013 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.0131 INDIVIDUALS, ESTATES, AND TRUSTS; ADDITIONS TO FEDERAL TAXABLE INCOME OR FEDERAL ADJUSTED GROSS INCOME.

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal taxable income for a trust or an estate or federal adjusted gross income for an individual in computing net income for the taxable year to which the amounts relate.

(b) The additions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal taxable income for a trust or an estate or federal adjusted gross income for individuals are an addition under this section.

Subd. 2. **Federally exempt interest income.** (a) Interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute is an addition.

(b) Exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code are an addition, except the portion of the exempt-interest dividends:

(1) exempt from state taxation under the laws of the United States; or

(2) derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, or governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from those Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under clause (1), that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment.

(c) For the purposes of paragraphs (a) and (b), interest on obligations of an Indian Tribal government described in section 7871(c) of the Internal Revenue Code is treated as interest income on obligations of the state in which the Tribe is located.

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

Subd. 4. **Capital gain on lump-sum distribution.** The capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies is an addition.

Subd. 5. **Income taxes deducted in computing federal adjusted gross income.** (a) The amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada is an addition to the extent allowed as a deduction in determining federal adjusted gross income.

(b) For the purpose of this subdivision, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b); 290.9727; 290.9728; and 290.9729.

Subd. 6. **Disallowed expense, interest, or taxes.** The amount of expense, interest, or taxes disallowed under section 290.10, subdivision 1, other than expenses or interest used in computing net interest income for the subtraction allowed under section 290.0132, subdivision 2, is an addition.

Subd. 7. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 8. **Partner's pro rata share of net income.** The amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code is an addition.

Subd. 9. **Bonus depreciation.** (a) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code is an addition.

(b) For the purposes of this subdivision, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) of the Internal Revenue Code and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation deduction allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed.

Subd. 10. **Section 179 expensing.** (a) For property placed in service in taxable years beginning before January 1, 2020, except for qualifying depreciable property, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

(b) For purposes of this subdivision, "qualifying depreciable property" means:

(1) property for which a depreciation deduction is allowed under section 167 of the Internal Revenue Code; and

(2) property received as part of an exchange that qualifies for gain or loss recognition deferral under section 1031 of the Internal Revenue Code of 1986, as amended through December 16, 2016, but that does not qualify for gain or loss recognition deferral under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2018.

Subd. 11. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 12. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 13. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 14. **First-time home buyer savings account.** The amount for a first-time home buyer savings account required by section 462D.06, subdivision 2, is an addition.

Subd. 15. **529 plan addition.** The lesser of the following amounts is an addition:

(1) the total distributions for the taxable year from a qualified plan under section 529 of the Internal Revenue Code, owned by the taxpayer, that are expended for:

(i) qualified higher education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for tuition for elementary or secondary public, private, or religious school); and

(ii) qualified postsecondary credentialing expenses, as defined in section 529(f) of the Internal Revenue Code; or

(2) the total amount required to be reported to the taxpayer by any trustee of a qualified tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue Service Form 1099Q for the taxable year.

Subd. 16. **Section 199A addition.** For trusts and estates, the amount deducted under section 199A of the Internal Revenue Code in computing the trust or estate's federal taxable income is an addition.

Subd. 17. **Foreign-derived intangible income.** To the extent deducted from net income, the amount of income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

Subd. 18. MS 2022 [Repealed, 2023 c 64 art 1 s 53]

Subd. 19. **Disallowed business interest deduction.** For any taxable year beginning after December 31, 2018, and before January 1, 2021, the amount of business interest deducted under the special rule in section 163(j)(10)(A) and (B) of the Internal Revenue Code of 1986, as amended through December 15, 2022, is an addition. Entities that are part of a combined reporting group under the unitary rules in section 290.17, subdivision 4, must compute deductions and additions as required under section 290.34, subdivision 5.

Subd. 20. **Disallowed net operating loss deduction.** (a) The amount of a net operating loss arising in any taxable year beginning after December 31, 2017, and before January 1, 2021, and carried back under section 172(b)(1)(D) of the Internal Revenue Code is an addition in the taxable year the loss is carried. No addition is required for a net operating loss deduction that is a farming loss under section 172(b)(1)(B) of the Internal Revenue Code carried to the two years preceding the year the farming loss arose.

(b) The amount of a net operating loss deduction in any taxable year beginning after December 31, 2017, and before January 1, 2021, that exceeds the deduction allowed under section 172(a)(2) of the Internal Revenue Code is an addition. For purposes of this paragraph, the deduction allowed under section 172(a)(2) of the Internal Revenue Code is allowed in the case of a taxable year beginning after December 31, 2017.

(c) The amount of a Minnesota disallowed loss carryover is an addition. For purposes of this paragraph, "Minnesota disallowed loss carryover" means, for any taxable year beginning after December 31, 2017, and before January 1, 2021, a disallowed loss carryover as defined in section 461(l)(2) of the Internal Revenue Code, for a loss that is not allowed under section 461(l)(1)(B) of the Internal Revenue Code. For purposes of this paragraph, the limitation under section 461(l)(1)(B) of the Internal Revenue Code applies for any taxable year beginning after December 31, 2017.

(d) For purposes of this subdivision, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 15, 2022.

Subd. 21. **Disallowed educational assistance payments.** (a) The amount of disallowed educational assistance payments is an addition.

(b) For the purposes of this subdivision, "disallowed educational assistance payments" means the following amounts that are excluded from gross income under section 127 of the Internal Revenue Code:

(1) payments of principal and interest described in section 127(c)(1)(B) of the Internal Revenue Code; plus

(2) the combined amount of educational assistance described in sections 127(c)(1)(A) and 127(c)(1)(C) of the Internal Revenue Code in excess of $5,250.

Subd. 22. **Qualified transportation fringe.** (a) The amount of qualified transportation fringe in excess of the prior law limit is an addition.

(b) For the purposes of this subdivision:

(1) "prior law limit" means the limitation under section 132(f)(2) of the Internal Revenue Code, except adjusted for inflation by substituting "1998" for "1997" in section 132(f)(6) of the Internal Revenue Code; and

(2) "qualified transportation fringe" has the meaning given in section 132(f) of the Internal Revenue Code.

Subd. 23. **Services performed in the Sinai Peninsula and other areas.** The amount excluded from gross income attributable to services performed in the areas listed in section 70118 of Public Law 119-21 is an addition.

Subd. 24. **Opportunity zone capital gain income.** (a) The amount of opportunity zone capital gain income is an addition.

(b) For the purposes of this subdivision, "opportunity zone capital gain income" equals the sum of:

(1) the amount of gains the taxpayer excluded from gross income or deferred in the taxable year under section 1400Z-2(a) of the Internal Revenue Code due to a deferral under section 1400Z-2(b)(1) of the Internal Revenue Code; and

(2) for a gain on an investment in the taxable year, the amount by which the taxpayer's basis in the investment was increased under section 1400Z-2(b)(2)(B) or 1400Z-2(c) of the Internal Revenue Code.

Subd. 25. **Interest on loans secured by rural or agricultural real property.** The amount of interest excluded from gross income under section 139L of the Internal Revenue Code is an addition.

Subd. 26. **Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions.** The sum of the following amounts is an addition:

(1) the amount of business meal expenses in excess of the 50 percent limitation that are allowed as a deduction under section 274(n)(2)(C) of the Internal Revenue Code; plus

(2) the amount of expenses allowed as a deduction under section 274(e)(8) of the Internal Revenue Code.

History: *1961 c 213 art 4 s 1; Ex1961 c 51 s 1; 1969 c 575 s 1; 1971 c 206 s 1; 1973 c 711 s 1; 1973 c 737 s 1; 1974 c 201 s 1; 1975 c 226 s 2; 1975 c 349 s 4,29; 1976 c 210 s 12; 1977 c 376 s 1; 1977 c 423 art 1 s 1; 1978 c 674 s 30; 1978 c 721 art 6 s 1; 1979 c 50 s 38; 1979 c 303 art 1 s 1; 1980 c 512 s 8; 1980 c 607 art 1 s 1; 1981 c 178 s 3; 1981 c 254 s 2; 1Sp1981 c 1 art 9 s 5; 3Sp1981 c 3 art 3 s 2; 1982 c 207 s 3; 1982 c 523 art 1 s 1; art 7 s 1; art 40 s 1; 3Sp1982 c 1 art 5 s 1; 1983 c 342 art 1 s 3; 1984 c 502 art 2*

s 3; 1984 c 514 art 2 s 4; 1Sp1985 c 14 art 1 s 9; 1987 c 268 art 1 s 12; 1988 c 719 art 1 s 3; 1989 c 28 s 4; 1991 c 291 art 6 s 19; 1993 c 375 art 8 s 7; 1997 c 231 art 6 s 3; 1998 c 389 art 6 s 3; art 7 s 3,12; 1999 c 243 art 2 s 3; 2002 c 377 art 2 s 4; 2003 c 127 art 3 s 6; 2005 c 151 art 6 s 12; 1Sp2005 c 3 art 4 s 3; 1Sp2005 c 7 s 38; 2006 c 259 art 2 s 3; 2008 c 154 art 3 s 2; 2009 c 12 art 1 s 3; 2009 c 88 art 1 s 3; 2010 c 389 art 3 s 8; 2011 c 8 s 3; 2011 c 112 art 6 s 1; 1Sp2011 c 7 art 2 s 3; 2014 c 150 art 1 s 10; 2014 c 308 art 4 s 11; 2016 c 158 art 3 s 8; 2017 c 1 s 4; 1Sp2017 c 1 art 1 s 6; 1Sp2019 c 6 art 1 s 18-23; 5Sp2020 c 3 art 7 s 1; 2023 c 1 s 8,9; 2023 c 64 art 1 s 21; 2026 c 128 art 1 s 5-11

290.0132 INDIVIDUALS, ESTATES, AND TRUSTS; SUBTRACTIONS FROM FEDERAL TAXABLE INCOME OR FEDERAL ADJUSTED GROSS INCOME.

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction" means an amount that shall be subtracted from federal taxable income for a trust or an estate or federal adjusted gross income for an individual in computing net income for the taxable year to which the amounts relate.

(b) The subtractions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, no amount deducted, subtracted, or otherwise excluded in computing federal taxable income for a trust or an estate or federal adjusted gross income for an individual is a subtraction under this section.

Subd. 2. **Exempt interest.** Net interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes, but exempt from state income tax under the laws of the United States, is a subtraction.

Subd. 3. **Overpayment of income tax.** The amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, is a subtraction, whether the amount is received as a refund or as a credit to another taxable year's income tax liability.

Subd. 4. **Education expenses.** (a) Subject to the limits in paragraph (b), the following amounts paid to others for each qualifying child are a subtraction:

(1) education-related expenses; plus

(2) tuition and fees paid to attend a school described in section 290.0674, subdivision 1a, paragraph (b), clause (4), that are not included in education-related expenses; less

(3) any amount used to claim the credit under section 290.0674.

(b) The maximum subtraction allowed under this subdivision is:

(1) $1,625 for each qualifying child in kindergarten through grade 6; and

(2) $2,500 for each qualifying child in grades 7 through 12.

(c) The definitions in section 290.0674, subdivision 1a, apply to this subdivision.

Subd. 5. **Elderly and disabled.** The subtraction base amount allowed under section 290.0802 is a subtraction.

Subd. 6. **Gain on forced sale of farm property; foreclosure.** Income realized on disposition of property exempt from tax under section 290.491 is a subtraction.

Subd. 7. **Charitable contributions for taxpayers who do not itemize.** For an individual who does not itemize deductions under section 290.0132, subdivision 19, for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over $500 allowable as a deduction for the taxable year under section 290.0122, subdivision 4, is a subtraction. The subtraction under this subdivision must not include a distribution that is excluded from federal adjusted gross income and that is not deductible under section 408(d)(8)(E) of the Internal Revenue Code.

Subd. 8. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 9. **Delayed bonus depreciation.** (a) In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 9, or 290.0133, subdivision 11, for a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation is a subtraction.

(b) For purposes of this subdivision, "delayed depreciation" means the amount of the addition made by the taxpayer under section 290.0131, subdivision 9, or 290.0133, subdivision 11, for a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the taxable year of the addition. The resulting delayed depreciation cannot be less than zero.

Subd. 10. MS 2020 [Expired, 2016 c 158 art 3 s 9]

Subd. 11. **National Guard and reserve compensation.** (a) Compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, including compensation for services performed under the Active Guard Reserve (AGR) program, is a subtraction.

(b) For purposes of this subdivision, "active service" means:

(1) state active service as defined in section 190.05, subdivision 5a, clause (1); or

(2) federally funded state active service as defined in section 190.05, subdivision 5b, and includes service performed under section 190.08, subdivision 3.

Subd. 12. **Armed forces active duty compensation paid to Minnesota residents.** Compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed under United States Code, title 10, or the authority of the United Nations, is a subtraction.

Subd. 13. **Organ donation expenses.** (a) An amount, not to exceed $10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation, is a subtraction.

(b) For purposes of this subdivision:

(1) "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;

(2) "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person;

(3) "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that the expenses may be subtracted under this subdivision only once; and

(4) "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code.

(c) An individual may claim the subtraction in this subdivision for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur.

Subd. 14. **Section 179 expensing.** In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the taxable year of the addition, is a subtraction. If the net operating loss exceeds the addition for the taxable year, a subtraction is not allowed under this subdivision.

Subd. 15. **Nonresident military service compensation.** For nonresidents of Minnesota, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in United States Code, title 50, section 3911(2), is a subtraction.

Subd. 16. **National service educational awards.** National service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program are a subtraction.

Subd. 17. MS 2018 [Expired]

Subd. 18. **Net operating losses.** The amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c), is a subtraction.

Subd. 19. **Standard or itemized deductions.** (a) The standard deduction amount allowed under section 290.0123, subdivision 1, is a subtraction.

(b) A taxpayer may elect to claim a subtraction equal to the amount of itemized deductions calculated under section 290.0122, subdivision 1, in lieu of the subtraction for the standard deduction in paragraph (a).

Subd. 20. **Dependent exemption.** The dependent exemption under section 290.0121, subdivision 1, paragraph (a), is a subtraction.

Subd. 21. **Military service pension; retirement pay.** To the extent included in federal adjusted gross income, compensation received from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The subtraction is limited to individuals who do not claim the credit under section 290.0677.

Subd. 22. **Railroad track maintenance expenses.** The amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code is a subtraction.

Subd. 23. **Contributions to a section 529 plan.** (a) The amount equal to the contributions made during the taxable year to a qualified account is a subtraction.

(b) The definitions under section 290.0684 apply for the purposes of this subdivision.

(c) The subtraction under this subdivision must not exceed $3,000 for married couples filing joint returns and $1,500 for all other filers, and is limited to individuals who do not claim the credit under section 290.0684.

Subd. 24. **Student loan discharges.** (a) The qualified student loan discharge of a taxpayer is a subtraction.

(b) For the purposes of this subdivision, "qualified student loan discharge" means a discharge of indebtedness eligible for the exclusion from gross income under section 9675 of Public Law 117-2. A discharge of indebtedness that occurred after December 31, 2025, but otherwise qualifies for the exclusion under that section is a qualified student loan discharge.

(c) "Qualified student loan discharge" includes but is not limited to a discharge of indebtedness under:

(1) the income-based repayment plan under United States Code, title 20, section 1098e;

(2) the income contingent repayment plan established under United States Code, title 20, section 1087e, subsection (e);

(3) the PAYE program or REPAYE program established by the Department of Education under administrative regulations; and

(4) section 136A.1791.

Subd. 25. **First-time home buyer savings account.** (a) For purposes of this subdivision, the terms defined in section 462D.02 have the meanings given in that section.

(b) The earnings on a first-time home buyer savings account allowed by section 462D.06, subdivision 1, is a subtraction.

Subd. 26. **Social Security benefits.** (a) A taxpayer is allowed a subtraction equal to the greater of the simplified subtraction allowed under paragraph (b) or the alternate subtraction determined under paragraph (e).

(b) A taxpayer's simplified subtraction equals the amount of taxable social security benefits, as reduced under paragraphs (c) and (d).

(c) For a taxpayer other than a married taxpayer filing a separate return with adjusted gross income above the phaseout threshold, the simplified subtraction is reduced by ten percent for each $4,000 of adjusted gross income, or fraction thereof, in excess of the phaseout threshold. The phaseout threshold equals:

(1) $100,000 for a married taxpayer filing a joint return or surviving spouse;

(2) $78,000 for a single or head of household taxpayer; and

(3) for a married taxpayer filing a separate return, half the amount for a married taxpayer filing a joint return.

(d) For a married taxpayer filing a separate return, the simplified subtraction is reduced by ten percent for each $2,000 of adjusted gross income, or fraction thereof, in excess of the phaseout threshold.

(e) A taxpayer's alternate subtraction equals the lesser of taxable Social Security benefits or a maximum subtraction subject to the limits under paragraphs (f), (g), and (h).

(f) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction under paragraph (e) equals $5,840. The maximum subtraction is reduced by 20 percent of provisional income over $88,630. In no case is the subtraction less than zero.

(g) For single or head-of-household taxpayers, the maximum subtraction under paragraph (e) equals $4,560. The maximum subtraction is reduced by 20 percent of provisional income over $69,250. In no case is the subtraction less than zero.

(h) For married taxpayers filing separate returns, the maximum subtraction under paragraph (e) equals one-half the maximum subtraction for joint returns under paragraph (f). The maximum subtraction is reduced by 20 percent of provisional income over one-half the threshold amount specified in paragraph (d). In no case is the subtraction less than zero.

(i) For purposes of this subdivision, "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the taxable Social Security benefits received during the taxable year, and "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(j) The commissioner shall adjust the phaseout threshold amounts in paragraph (c), clauses (1) and (2), as provided in section 270C.22. The statutory year is taxable year 2023. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount.

Subd. 27. **Deferred foreign income.** The amount of deferred foreign income under section 965 of the Internal Revenue Code included in federal adjusted gross income or federal taxable income, is a subtraction.

Subd. 28. MS 2022 [Repealed, 2023 c 64 art 1 s 53]

Subd. 29. **Disallowed section 280E expenses; cannabis licensees.** The amount of expenses of a license holder, as defined under section 342.01, subdivision 48, related to the business of cannabis or hemp and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

Subd. 30. **Volunteer driver reimbursement.** (a) A taxpayer is allowed a subtraction equal to the amount of mileage reimbursement paid by a charitable organization to the taxpayer for work as a volunteer driver. The subtraction is limited to amounts paid by the organization that:

(1) are in excess of the mileage rate for use of an automobile in rendering gratuitous services to a charitable organization under section 170(i) of the Internal Revenue Code; and

(2) do not exceed the standard mileage rate for businesses established under Code of Federal Regulations, title 26, section 1.274-5(j)(2).

(b) For the purposes of this section, "charitable organization" means an organization eligible for a charitable contribution under section 170(c) of the Internal Revenue Code.

Subd. 31. **Delayed business interest.** (a) For each taxable year an addition is required under section 290.0131, subdivision 19, the amount of the addition, less the sum of all amounts subtracted under this paragraph in all prior taxable years, that does not exceed the limitation on business interest in section 163(j) of the Internal Revenue Code of 1986, as amended through December 15, 2022, notwithstanding the special rule in section 163(j)(10) of the Internal Revenue Code, is a subtraction. Any excess is a delayed business interest carryforward, the entire amount of which must be carried to the earliest taxable year. No subtraction is allowed under this paragraph for taxable years beginning after December 31, 2022.

(b) For each of the five taxable years beginning after December 31, 2022, there is allowed a subtraction equal to one-fifth of the sum of all carryforward amounts that remain after the expiration of paragraph (a).

(c) Entities that are part of a combined reporting group under the unitary rules of section 290.17, subdivision 4, must compute deductions and additions as required under section 290.34, subdivision 5.

Subd. 32. **Delayed net operating loss deduction.** The amount of the sum of each addition required in section 290.0131, subdivision 20, for each taxable year, except as otherwise provided, less the sum of all amounts subtracted under this subdivision in all prior taxable years, that does not exceed 80 percent of federal taxable income, determined without regard to this subdivision, is a subtraction. Any excess is a delayed net operating loss deduction carryforward, the entire amount of which must be carried to the earliest taxable year. No subtraction under this subdivision is allowed after 20 taxable years from the taxable year in which an operating loss arises. The sum of the additions required under section 290.0131, subdivision 20, paragraph (a), are aggregated and assigned to the taxable year immediately succeeding the taxable year in which the operating loss arises, for purposes of determining the subtraction allowed under this subdivision in that succeeding taxable year and the amount carried forward.

Subd. 33. [Never effective, 2023 c 64 art 2 s 8]

Subd. 34. **Qualified retirement benefits.** (a) The amount of qualified public pension income is a subtraction. The subtraction in this section is limited to:

(1) $25,000 for a married taxpayer filing a joint return or surviving spouse; or

(2) $12,500 for all other filers.

(b) For a taxpayer with adjusted gross income above the phaseout threshold, the subtraction is reduced by ten percent for each $2,000 of adjusted gross income, or fraction thereof, in excess of the threshold. The phaseout threshold equals:

(1) $100,000 for a married taxpayer filing a joint return or surviving spouse;

(2) $78,000 for a single or head of household taxpayer; or

(3) for a married taxpayer filing a separate return, half the amount for a married taxpayer filing a joint return.

(c) For the purposes of this section, "qualified public pension income" means any amount received:

(1) by a former basic member or the survivor of a former basic member, as an annuity or survivor benefit, from a pension plan governed by chapter 353, 353E, 354, or 354A, provided that the annuity or benefit is based on service for which the member or survivor did not earn Social Security benefits;

(2) as an annuity or survivor benefit from the legislators plan under chapter 3A, the State Patrol retirement plan under chapter 352B, or the public employees police and fire plan under sections 353.63 to 353.666, provided that the annuity or benefit is based on service for which the member or survivor did not earn Social Security benefits;

(3) from any retirement system administered by the federal government that is based on service for which the recipient or the recipient's survivor did not earn Social Security benefits; or

(4) from a public retirement system of or created by another state or any of its political subdivisions, or the District of Columbia, if the income tax laws of the other state or district permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any political subdivision of this state.

(d) The commissioner must annually adjust the subtraction limits in paragraph (a) and the phaseout thresholds in paragraph (b), as provided in section 270C.22. The statutory year is taxable year 2023.

Subd. 35. **Damages for sexual harassment or abuse.** The amount of damages received under a sexual harassment or abuse claim that is not excluded from gross income under section 104(a)(2) of the Internal Revenue Code because the damages are not received on account of personal physical injuries or physical sickness is a subtraction.

Subd. 36. **Discharges of indebtedness; coerced debt.** The amount of discharge of indebtedness awarded to a claimant under section 332.74, subdivision 3, is a subtraction.

Subd. 37. **Consumer enforcement public compensation payments.** The amount of consumer enforcement public compensation received as a distribution to an eligible consumer under section 8.37, subdivision 5, is a subtraction.

Subd. 38. **Student loan education assistance paid by critical access dental clinics.** (a) The amount of student loan educational assistance payments that is received from a critical access dental clinic is a subtraction.

(b) For the purposes of this subdivision, the following terms have the meanings given.

(c) "Critical access dental clinic" means a dentist or dental clinic that is designated as a critical access dental provider under section 256B.76, subdivision 4.

(d) "Student loan educational assistance payments" means payments by an employer on the education loan of an employee that are included in the definition of educational assistance under section 127(c)(1)(B) of the Internal Revenue Code, disregarding the expiration of that clause. Student loan educational assistance payments are limited to amounts in excess of the limit in section 127(a)(2) of the Internal Revenue Code.

Subd. 39. **Foreign service pension; retirement pay.** (a) Compensation received from a pension or other retirement pay from the federal government for service in the foreign service and established under United States Code, title 22, sections 4041 to 4069 and 4071, is a subtraction.

(b) The subtraction equals the product of:

(1) the amount of compensation received under paragraph (a); and

(2) the number of years of foreign service divided by the total number of years of civil service for which the taxpayer receives pension income.

(c) Any amount used to claim the subtraction in this subdivision must not be used to claim the subtraction in subdivision 34.

Subd. 40. **Previously taxed capital gains in an opportunity zone.** The amount of a gain that was deferred under section 1400Z-2 of the Internal Revenue Code that was previously recognized as an addition under section 290.0131, subdivision 24, and was recognized in the taxable year is a subtraction. The subtraction is not allowed for the increase in basis described in section 290.0131, subdivision 24, paragraph (b), clause (2).

Subd. 41. **Net CFC tested income.** The amount calculated under section 290.034, paragraph (a), clause (2), is a subtraction. The subtraction must not exceed the amount of net CFC tested income calculated under section 290.034 for the taxable year.

History: *1961 c 213 art 4 s 1; Ex1961 c 51 s 1; 1971 c 206 s 1; 1973 c 711 s 1; 1974 c 201 s 1; 1975 c 226 s 2; 1975 c 349 s 4; 1977 c 376 s 1; 1977 423 art 1 s 1;1978 c 674 s 30; 1978 c 721 art 6 s 1; 1978 c 763 s 2; 1979 c 303 art 1 s 1; 1980 c 607 art 1 s 1; 1981 c 178 s 3; 1981 c 254 s 2; 1981 c 261 s 20; 1Sp1981 c 1 art 9 s 5; 3Sp1981 c 3 art 3 s 2; 1982 c 207 s 4; 1982 c 523 art 1 s 1; art 40 s 1; 3Sp1982 c 1 art 5 s 2; 1983 c 342 art 1 s 4; 1984 c 514 art 1 s 2; art 2 s 5; 1Sp1985 c 14 art 1 s 10; 1986 c 398 art 21 s 1; 1987 c 268 art 1 s 13; 1988 c 719 art 1 s 4; art 3 s 12; 1989 c 28 s 5,25; 1992 c 549 art 9 s 4; 1995 c 255 art 3 s 1; 1997 c 231 art 5 s 2; art 6 s 4; 1Sp1997 c 4 art 13 s 1; 1998 c 389 art 6 s 4; 1999 c 243 art 2 s 4; art 3 s 3; 2000 c 260 s 50; 2000 c 490 art 4 s 5; 1Sp2001 c 5 art 9 s 3; 2002 c 377 art 2 s 5; 2003 c 127 art 3 s 7; 1Sp2003 c 21 art 1 s 3; 2005 c 151 art 6 s 13; 1Sp2005 c 3 art 3 s 7; art 4 s 4; art 10 s 2; 2007 c 1 s 2; 2008 c 154 art 3 s 3; art 4 s 3; art 11 s 11; 2008 c 277 art 1 s 97; 2008 c 366 art 4 s 4; 2009 c 88 art 1 s 4; art 7 s 7; 2010 c 187 s 2; 2010 c 389 art 3 s 9; 2011 c 112 art 6 s 2; 2012 c 294 art 2 s 9; 2013 c 143 art 6 s 7; 2014 c 150 art 1 s 11; 2014 c 308 art 4 s 12; 2016 c 158 art 3 s 9,31; 2016 c 189 art 13 s 57; 1Sp2017 c 1 art 1 s 7-10; art 17 s 1; 1Sp2019 c 6 art 1 s 24-30; art 2 s 12,13; 1Sp2021 c 14 art 1 s 8; 2023 c 1 s 10-12; 2023 c 63 art 2 s 7; 2023 c 64 art 1 s 22-27; 2024 c 85 s 89,90; 2024 c 121 art 2 s 32; 2025 c 20 s 230; 1Sp2025 c 13 art 1 s 5-8; art 9 s 2,3; 2026 c 88 art 1 s 171; 2026 c 128 art 1 s 12,13*

290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal taxable income in computing net income for the taxable year to which the amount relates.

(b) The additions in this section apply to corporations other than S corporations.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal taxable income are an addition under this section.

Subd. 2. **Taxes paid.** The amount of any deduction taken for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States, is an addition.

Subd. 3. **Nontaxable interest.** Interest upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian Tribal governments is an addition.

Subd. 4. **Exempt-interest dividends.** Exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code are an addition.

Subd. 5. **Net operating losses.** The amount of any net operating loss deduction under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code is an addition.

Subd. 6. **Special deductions.** The amount of any special deductions under sections 241 to 247, and 250, of the Internal Revenue Code is an addition.

Subd. 7. **Nontaxable mining losses.** Losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax are an addition.

Subd. 8. **Capital losses.** The amount of any capital losses under sections 1211 and 1212 of the Internal Revenue Code is an addition.

Subd. 9. **Percentage depletion.** The amount of percentage depletion under sections 611 through 614 and 291 of the Internal Revenue Code is an addition.

Subd. 10. **Partner's pro rata share of net income.** The amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code is an addition.

Subd. 11. **Bonus depreciation.** 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code is an addition. For purposes of this subdivision, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed.

Subd. 12. **Section 179 expensing.** (a) For property placed in service in taxable years beginning before January 1, 2020, except for qualifying depreciable property, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

(b) For purposes of this subdivision, "qualifying depreciable property" means:

(1) property for which a depreciation deduction is allowed under section 167 of the Internal Revenue Code; and

(2) property received as part of an exchange that qualifies for gain or loss recognition deferral under section 1031 of the Internal Revenue Code of 1986, as amended through December 16, 2016, but that does not qualify for gain or loss recognition deferral under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2018.

Subd. 13. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 14. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

Subd. 15. **Disallowed business interest deduction.** For any taxable year beginning after December 31, 2018, and before January 1, 2021, the amount of business interest deducted under the special rule in section 163(j)(10)(A) and (B) of the Internal Revenue Code of 1986, as amended through December 15, 2022, is an addition. Entities that are part of a combined reporting group under the unitary rules in section 290.17, subdivision 4, must compute deductions and additions as required under section 290.34, subdivision 5.

Subd. 16. **Research and experimental expenditures amortization.** (a) Eighty percent of the amount of the deduction claimed for domestic research or experimental expenditures under section 174A(a) of the Internal Revenue Code is an addition.

(b) For a taxpayer making the election under Public Law 119-21, section 70302, subsection (f)(1), 80 percent of the amount of any deduction claimed retroactively for a taxable year is an addition.

(c) For a taxpayer making an election under Public Law 119-21, section 70302, subsection (f)(2)(A)(i) or (ii), the amount of the deduction claimed for unamortized amounts is an addition.

Subd. 17. **Opportunity zone capital gain income.** (a) The amount of opportunity zone capital gain income is an addition.

(b) For the purposes of this subdivision, "opportunity zone capital gain income" equals the sum of:

(1) the amount of gains the taxpayer excluded from gross income or deferred in the taxable year under section 1400Z-2(a) of the Internal Revenue Code due to a deferral under section 1400Z-2(b)(1) of the Internal Revenue Code; and

(2) for a gain on an investment in the taxable year, the amount by which the taxpayer's basis in the investment was increased under section 1400Z-2(b)(2)(B) or 1400Z-2(c) of the Internal Revenue Code.

Subd. 18. **Interest on loans secured by rural or agricultural real property.** The amount of interest excluded from gross income under section 139L of the Internal Revenue Code is an addition.

Subd. 19. **Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions.** The sum of the following amounts is an addition:

(1) the amount of business meal expenses in excess of the 50 percent limitation that are allowed as a deduction under section 274(n)(2)(C) of the Internal Revenue Code; plus

(2) the amount of expenses allowed as a deduction under section 274(e)(8) of the Internal Revenue Code.

History: *1961 c 213 art 4 s 1; Ex1961 c 51 s 1; 1969 c 575 s 1; 1971 c 206 s 1; 1973 c 711 s 1; 1973 c 737 s 1; 1974 c 201 s 1; 1975 c 226 s 2; 1975 c 349 s 4,29; 1976 c 210 s 12; 1977 c 376 s 1; 1977 c 423 art 1 s 1; 1978 c 674 s 30; 1978 c 721 art 6 s 1; 1979 c 50 s 38; 1979 c 303 art 1 s 1; 1980 c 512 s 8; 1980 c 607 art 1 s 1; 1981 c 178 s 3; 1981 c 254 s 2; 1Sp1981 c 1 art 9 s 5; 3Sp1981 c 3 art 3 s 2; 1982 c 523 art 1 s 1; art 7 s 1; art 40 s 1; 1982 c 207 s 3; 3Sp1982 c 1 art 5 s 1; 1983 c 342 art 1 s 3; 1984 c 502 art 2 s 3; 1984 c 514 art 2 s 4; 1Sp1985 c 14 art 1 s 9; 1987 c 268 art 1 s 14; 1988 c 719 art 2 s 11; art 3 s 12; 1989 c 28 s 6,25; 1Sp1989 c 1 art 10 s 5; 1993 c 375 art 8 s 8; 1997 c 231 art 5 s 3; 1998 c 389 art 7 s 4; 2000 c 490 art 4 s 6; 1Sp2001 c 5 art 9 s 4; art 10 s 4; 2002 c 377 art 2 s 6; 2003 c 127 art 3 s 8; 2005 c 151 art 6 s 14; 1Sp2005 c 3 art 4 s 5; 2006 c 259 art 2 s 4; 2008 c 154 art 3 s 4; art 4 s 4; 2008 c 366 art 4 s 5; 2009 c 12 art 1 s 4; 2009 c 88 art 1 s 5; 2011 c 8 s 4; 1Sp2011 c 7 art 2 s 4; 2013 c 143 art 6 s 8; 2016 c 158 art 3 s 10; 2017 c 1 s 5; 1Sp2019 c 6 art 1 s 31; 5Sp2020 c 3 art 7 s 2; 2023 c 1 s 13; 2023 c 64 art 1 s 28; 2026 c 128 art 1 s 14-17*

290.0134 CORPORATIONS; SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction" means an amount that shall be subtracted from federal taxable income in computing net income for the taxable year to which the amount relates.

(b) The subtractions in this section apply to corporations, other than S corporations, after the additions provided in section 290.0133.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, no amount deducted, subtracted, or otherwise excluded in computing federal taxable income is a subtraction under this section.

Subd. 2. **Foreign dividends.** The amount of foreign dividend gross-up under section 78 of the Internal Revenue Code is a subtraction.

Subd. 3. **Disallowed salary expense.** The amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code is a subtraction.

Subd. 4. **Exempt dividends.** Any dividend, not including any distribution in liquidation, paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality is a subtraction.

Subd. 5. **Capital losses.** The deduction for capital losses under sections 1211 and 1212 of the Internal Revenue Code is a subtraction, except that:

(1) capital loss carrybacks are not allowed; and

(2) a capital loss carryover to each of the 15 taxable years succeeding the loss year is allowed.

Subd. 6. **Interest and expenses relating to federally nontaxable income.** Interest and expenses relating to income not taxable for federal income tax purposes is a subtraction if (1) the income is taxable under this chapter, and (2) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265, or 291 of the Internal Revenue Code in computing federal taxable income.

Subd. 7. **Percentage depletion.** For mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed under section 290.0133, subdivision 9, a reasonable allowance for depletion based on actual cost is a subtraction. For leases, the deduction must be apportioned between the lessor and lessee under rules prescribed by the commissioner. For property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee under the pertinent provisions of the trust instrument, or if there is no provision in the trust instrument, on the basis of the trust's income allocable to each.

Subd. 8. **Refunds.** Refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.0133, subdivision 2, in a prior taxable year are a subtraction.

Subd. 9. **Exempt mining income.** Income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax are a subtraction.

Subd. 10. **Disallowed disability access expenditures.** The amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code is a subtraction.

Subd. 11. **Disallowed qualified research expenses.** The amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code is a subtraction, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068.

Subd. 12. **Disallowed salary expenses; Indian employment credit.** The amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code is a subtraction.

Subd. 13. **Bonus depreciation.** (a) In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0133, subdivision 11, an amount equal to one-fifth of the delayed depreciation is a subtraction.

(b) For purposes of this subdivision, "delayed depreciation" means the amount of the addition made by the taxpayer under section 290.0133, subdivision 11, provided that delayed depreciation cannot be less than zero.

Subd. 14. **Section 179 expensing.** In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0133, subdivision 12, an amount equal to one-fifth of the amount of the addition is a subtraction.

Subd. 15. MS 2018 [Expired]

Subd. 16. **Railroad track maintenance expenses.** The amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code is a subtraction.

Subd. 17. MS 2022 [Repealed, 2023 c 64 art 1 s 53]

Subd. 18. **Deferred foreign income.** The amount of deferred foreign income under section 965 of the Internal Revenue Code included in federal taxable income, is a subtraction.

Subd. 19. **Disallowed section 280E expenses; cannabis licensees.** The amount of expenses of a license holder, as defined under section 342.01, subdivision 48, related to the business of cannabis or hemp and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

Subd. 20. **Delayed business interest.** (a) For each taxable year an addition is required under section 290.0133, subdivision 15, the amount of the addition, less the sum of all amounts subtracted under this paragraph in all prior taxable years, that does not exceed the limitation on business interest in section 163(j) of the Internal Revenue Code of 1986, as amended through December 15, 2022, notwithstanding the special rule in section 163(j)(10) of the Internal Revenue Code, is a subtraction. Any excess is a delayed business interest carryforward, the entire amount of which must be carried to the earliest taxable year. No subtraction is allowed under this paragraph for taxable years beginning after December 31, 2022.

(b) For each of the five taxable years beginning after December 31, 2022, there is allowed a subtraction equal to one-fifth of the sum of all carryforward amounts that remain after the expiration of paragraph (a).

(c) Entities that are part of a combined reporting group under the unitary rules of section 290.17, subdivision 4, must compute deductions and additions as required under section 290.34, subdivision 5.

Subd. 22. **Research and experimental expenditures amortization.** (a) In each of the four taxable years immediately following the taxable year in which an addition is required under section 290.0133, subdivision 16, paragraph (a) or (b), an amount equal to one-fourth of the amount of the addition is a subtraction.

(b) For the taxable year in which an addition is required under section 290.0133, subdivision 16, paragraph (c), and for each of the taxable years immediately following that taxable year, an amount equal to the amortized amount is a subtraction. For purposes of this paragraph, "amortized amount" means the amount of the deduction allowed for an expenditure in a taxable year under section 174A of the Internal Revenue

Code if the taxpayer did not make the election under Public Law 119-21, section 70302, subsection (f)(2)(A)(i) or (ii).

Subd. 23. **Previously taxed capital gains in an opportunity zone.** The amount of a gain that was deferred under section 1400Z-2 of the Internal Revenue Code that was previously recognized as an addition under section 290.0133, subdivision 17, and was recognized in the taxable year is a subtraction. The subtraction is not allowed for the increase in basis described in section 290.0133, subdivision 17, paragraph (b), clause (2).

Subd. 24. **Net CFC tested income.** The amount calculated under section 290.034, paragraph (a), clause (2), is a subtraction. The subtraction must not exceed the amount of net CFC tested income calculated under section 290.034 for the taxable year.

History: *1961 c 213 art 4 s 1; Ex1961 c 51 s 1; 1971 c 206 s 1; 1973 c 711 s 1; 1974 c 201 s 1; 1975 c 226 s 2; 1975 c 349 s 4; 1977 c 376 s 1; 1977 c 423 art 1 s 1; 1978 c 674 s 30; 1978 c 721 art 6 s 1; 1978 c 763 s 2; 1979 c 303 art 1 s 1; 1980 c 607 art 1 s 1; 1981 c 178 s 3; 1981 c 254 s 2; 1981 c 261 s 20; 1Sp1981 c 1 art 9 s 5; 3Sp1981 c 3 art 3 s 2; 1982 c 523 art 1 s 1; art 40 s 1; 1982 c 207 s 4; 3Sp1982 c 1 art 5 s 2; 1983 c 342 art 1 s 4; 1984 c 514 art 1 s 2; art 2 s 5; 1Sp1985 c 14 art 1 s 10; 1986 c 398 art 21 s 1; 1987 c 268 art 1 s 15; 1988 c 719 art 2 s 12; art 3 s 12; 1989 c 27 art 1 s 2; 1989 c 28 s 7,25; 1991 c 291 art 6 s 20; art 7 s 4; 1994 c 587 art 1 s 8; 1995 c 186 s 56; 1995 c 264 art 1 s 4; 1997 c 231 art 5 s 4; 2000 c 490 art 4 s 7; 1Sp2001 c 5 art 9 s 5; art 10 s 5; 2002 c 377 art 1 s 1; art 2 s 7; 2003 c 127 art 3 s 9; 2005 c 56 s 1; 1Sp2005 c 3 art 4 s 6; 2008 c 154 art 11 s 12; 2008 c 366 art 4 s 6; 2009 c 12 art 1 s 5; 2009 c 88 art 1 s 6; 2010 c 389 art 3 s 10; 2013 c 143 art 6 s 9; 2014 c 308 art 9 s 61; 2016 c 158 art 3 s 11; 1Sp2019 c 6 art 1 s 32,33; art 2 s 14; 2023 c 1 s 14; 2023 c 63 art 2 s 8; 2023 c 64 art 1 s 29; 2024 c 121 art 2 s 33; 1Sp2025 c 13 art 9 s 4; 2026 c 128 art 1 s 18-20*

290.0135 BASIS MODIFICATIONS AFFECTING GAIN OR LOSS ON DISPOSITION OF PROPERTY.

(a) For individuals, estates, and trusts, the basis of property is its adjusted basis for federal income tax purposes except as set forth in paragraphs (e) and (f). For corporations, the basis of property is its adjusted basis for federal income tax purposes, without regard to the time when the property became subject to tax under this chapter or to whether out-of-state losses or items of tax preference with respect to the property were not deductible under this chapter, except that the modifications to the basis for federal income tax purposes set forth in paragraphs (b) to (i) are allowed to corporations, and the resulting modifications to federal taxable income must be made in the year in which gain or loss on the sale or other disposition of property is recognized.

(b) The basis of property shall not be reduced to reflect federal investment tax credit.

(c) For property acquired before January 1, 1933, the basis for computing a gain is the fair market value of the property as of that date. The basis for determining a loss is the cost of the property to the taxpayer less any depreciation, amortization, or depletion, actually sustained before that date. If the adjusted cost exceeds the fair market value of the property, then the basis is the adjusted cost regardless of whether there is a gain or loss.

(d) The basis is reduced by the allowance for amortization of bond premium if an election to amortize was made pursuant to Minnesota Statutes 1986, section 290.09, subdivision 13, and the allowance could have been deducted by the taxpayer under this chapter during the period of the taxpayer's ownership of the property.

(e) For assets placed in service before January 1, 1987, corporations, partnerships, or individuals engaged in the business of mining ores other than iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(f) For assets placed in service before January 1, 1990, corporations, partnerships, or individuals engaged in the business of mining iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(g) In applying the provisions of sections 301(c)(3)(B), 312(f) and (g), and 316(a)(1) of the Internal Revenue Code, the dates December 31, 1932, and January 1, 1933, shall be substituted for February 28, 1913, and March 1, 1913, respectively.

(h) In applying the provisions of section 362(a) and (c) of the Internal Revenue Code, the date December 31, 1956, shall be substituted for June 22, 1954.

(i) The basis of property shall be increased by the amount of intangible drilling costs not previously allowed due to differences between this chapter and the Internal Revenue Code.

(j) The adjusted basis of any corporate partner's interest in a partnership is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (b) to (i). The adjusted basis of a partnership in which the partner is an individual, estate, or trust is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (e) and (f).

(k) The modifications contained in paragraphs (b) to (i) also apply to the basis of property that is determined by reference to the basis of the same property in the hands of a different taxpayer or by reference to the basis of different property.

History: *1982 c 523 art 40 s 1,2; 1983 c 207 s 6; 1983 c 342 art 1 s 5; 1984 c 514 art 2 s 7; 1Sp1985 c 14 art 1 s 12; 1Sp1985 c 16 art 2 s 27; 1987 c 268 art 1 s 17; 1988 c 719 art 3 s 12; 1989 c 28 s 9,25; 1997 c 231 art 6 s 5; 1998 c 389 art 6 s 5; 1999 c 243 art 2 s 5; 2014 c 308 art 9 s 62; 2016 c 158 art 3 s 31*

290.0136 CERTAIN PREFERRED STOCK LOSSES.

A taxpayer must compute net income by treating losses from the sale or transfer of certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision 22; taxable income under section 290.01, subdivision 29; the numerator and denominator in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable income under section 290.091, subdivision 2; corporate alternative minimum taxable income under section 290.0921, subdivision 3; and net operating losses under section 290.095 must be computed for each taxable year as if those losses had been treated by the taxpayer as capital losses under the Internal Revenue Code, including the limitations under section 1211 of the Internal Revenue Code.

History: *2009 c 12 art 1 s 6; 2016 c 158 art 3 s 31*

290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT SALE GAINS.

(a) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, taxable net income shall include the amount realized upon a sale of the assets of, or any interest in, an S corporation or partnership that operated in Minnesota during the year of sale, including any income

or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(1) For the purposes of this paragraph, an individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain described in this paragraph on the individual's final Minnesota resident tax return to the extent that such income has not been recognized in a prior year.

(2) For the purposes of this section, "realized" has the meaning given in section 1001(b) of the Internal Revenue Code.

(3) For the purposes of this section, "installment sale" means any installment sale under section 453 of the Internal Revenue Code and any other sale that is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code that allows taxpayers to delay reporting or recognizing a realized gain until a future year.

(b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing unrecognized installment sale gains by making an election under this paragraph. The election must be filed on a form to be determined or prescribed by the commissioner and must be filed by the due date of the individual income tax return, including any extension. Electing taxpayers must make an irrevocable agreement to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sales are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were realized in the year of sale under section 290.17, 290.191, or 290.20; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must be excluded from taxable net income in any future year that a composite Minnesota tax return is filed to the extent that the income or gain has already been subject to tax pursuant to paragraph (a). If a composite Minnesota tax return is not filed, then any income or gain recognized for Minnesota purposes under paragraph (a) must be excluded from taxable net income in any future year in which the taxpayer files a Minnesota tax return to the extent that the income or gain has already been subject to tax pursuant to paragraph (a).

History: *1Sp2017 c 1 art 1 s 11; 1Sp2019 c 6 art 12 s 1; 2026 c 128 art 9 s 3*

290.014 JURISDICTION TO TAX IN GENERAL.

Subdivision 1. **Resident individuals.** All net income of a resident individual is subject to tax under this chapter.

Subd. 2. **Nonresident individuals.** Except as provided in section 290.015, a nonresident individual is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the nonresident individual is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or

290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the estate;

(3) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character that is taxable under this chapter) in the individual's capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the trust;

(4) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the partnership;

(5) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a shareholder of a corporation treated as an "S" corporation under section 290.9725, and income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 1366(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the corporation; or

(6) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as the sole member of a limited liability company that is disregarded for federal income tax purposes, with income allocable to this state under section 290.17, 290.191, or 290.20, as though realized by the individual directly from the source from which it was realized by the limited liability company.

Subd. 3. **Trusts and estates.** Except as provided in section 290.015, a trust or estate, whether resident or nonresident, is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the trust or estate is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the trust or estate under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary of a trust or estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the trust or beneficiary estate directly from the source from which realized by the distributing estate;

(3) taxed to the trust or estate under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this

state under section 290.17, 290.191, or 290.20 if realized by the beneficiary trust or estate directly from the source from which realized by the distributing trust;

(4) taxed to the trust or estate under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the trust or estate directly from the source from which realized by the partnership; or

(5) taxed to the trust or estate under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a shareholder of a corporation treated as an "S" corporation under section 290.9725, and income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 1366(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the trust or estate directly from the source from which realized by the corporation.

Subd. 4. **Partnerships.** Except as provided in section 290.015, a partnership is subject to the return filing requirements and to tax as provided in this chapter if the income of the partnership is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the partnership under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the partnership directly from the source from which realized by the estate;

(3) taxed to the partnership under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the partnership directly from the source from which realized by the trust; or

(4) taxed to the partnership under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the second tier partnership directly from the source from which realized by the first tier partnership.

Subd. 5. **Corporations.** Except as provided in section 290.015, corporations are subject to the return filing requirements and to tax as provided in this chapter if the corporation so exercises its franchise as to engage in such contacts with this state as to cause part of the income of the corporation to be:

(1) allocable to this state under section 290.17, 290.191, 290.20, or 290.36;

(2) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the estate;

(3) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the trust; or

(4) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the partnership.

History: *1987 c 268 art 1 s 22; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; art 7 s 5-8; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1997 c 231 art 6 s 8,9; 1Sp2001 c 5 art 9 s 8; 2010 c 389 art 3 s 11*

290.015 MINIMUM CONTACTS REQUIRED FOR JURISDICTION TO TAX TRADE OR BUSINESS.

Subdivision 1. **General rule.** (a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property that is located in this state or tangible personal property, including but not limited to mobile property, that is present in this state is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services which are performed from outside this state but the services are received in this state;

(3) transactions with customers in this state that involve intangible property and result in receipts attributed to this state as provided in section 290.191, subdivision 5 or 6;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 5, paragraph (g), or 6, paragraph (e); and

(5) sales and leases of real property located in this state.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telephone, computer database, cable, optic, microwave, or other communication system.

Subd. 2. **Presumption.** (a) A person is presumed, subject to rebuttal, to be obtaining or regularly soliciting business from within this state if:

(1) it conducts activities described in subdivision 1, paragraph (b), without regard to transactions described in subdivision 3, with 20 or more persons within this state during any tax period; or

(2) it is a financial institution as defined in section 290.01, subdivision 4a, and the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds $5,000,000, with assets and deposits attributed to sources within this state by applying the principles established under section 290.191, except as provided in subdivision 3.

(b) A financial institution that (i) is not engaged in activities within this state under subdivision 1, paragraph (a), and (ii) does not satisfy the requirements of paragraph (a) is not subject to taxes imposed by this chapter.

Subd. 3. **Exceptions.** (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law 86-272, United States Code, title 15, sections 381 to 384, or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, a financial asset securitization investment trust, or a regulated investment company or a fund of a regulated investment company, as those terms are defined in the Internal Revenue Code;

(2) an interest in money market instruments or securities as defined in section 290.191, subdivision 6, paragraphs (c) and (d);

(3) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables;

(4) an interest acquired from a person in assets described in section 290.191, subdivision 11, paragraphs (e) to (l), subject to the provisions of paragraph (c), clause (2)(A);

(5) an interest acquired from a person in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), subject to the provisions of paragraph (c), clause (2)(A);

(6) an interest acquired from a person in a funded or unfunded agreement to extend or guarantee credit whether conditional, mandatory, temporary, standby, secured, or otherwise, subject to the provisions of paragraph (c), clause (2)(A);

(7) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time;

(8) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision; or

(9) any interest in tangible personal property upon which printing will take place located at the premises of a printer that is not a member of a unitary business in this state with which the person has a contract for printing.

(c)(1) For purposes of paragraph (b), clauses (4) to (6), an interest in the type of assets or credit agreements described is deemed to exist at the time the owner becomes legally obligated, conditionally or unconditionally, to fund, acquire, renew, extend, amend, or otherwise enter into the credit arrangement.

(2)(A) An owner has acquired an interest from a person in paragraph (b), clauses (4) to (6), assets if:

(i) the owner at the time of the acquisition of the asset does not own, directly or indirectly, 15 percent or more of the outstanding stock or in the case of a partnership 15 percent or more of the capital or profit interests of the person from whom it acquired the asset;

(ii) the person from whom the owner acquired the asset regularly sells, assigns, or transfers interests in paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to three or more persons; and

(iii) the person from whom the owner acquired the asset does not sell, assign, or transfer 75 percent or more of its paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to the owner.

For purposes of determining indirect ownership under item (i), the owner is deemed to own all stock, capital, or profit interests owned by another person if the owner directly owns 15 percent or more of the stock, capital, or profit interests in the other person. The owner is also deemed to own through any intermediary parties all stock, capital, and profit interests directly owned by a person to the extent there exists a 15 percent or more chain of ownership of stock, capital, or profit interests between the owner, intermediary parties and the person.

(B) If the owner of the asset is a member of a unitary business, paragraph (b), clauses (4) to (8), do not apply to an interest acquired from another member of the unitary business. If the interest in the asset was originally acquired from a nonunitary member and at that time qualified as a section 290.015, subdivision 3, paragraph (b), asset, the foregoing limitation does not apply.

Subd. 4. **Limitations.** (a) This section does not subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business.

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota, referred to as the "non-Minnesota person", from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made. This paragraph is subject to the limitations contained in subdivision 3, paragraph (b), clauses (4) to (6).

(c) Contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, or with respect to deposits received from or by a Minnesota financial institution, shall not be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. Participation by a Minnesota financial institution in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary business.

Subd. 5. **Determination at entity level.** Determinations under this section with respect to trades or businesses conducted by a partnership, trust, estate, or corporation treated as an S corporation under section 290.9725, or any other entity, the income of which is or may be taxed to its owners or beneficiaries must be made with respect to the entity carrying on the trade or business and not with respect to owners or beneficiaries of the trade or business, the taxability of which under this chapter must be determined under section 290.014.

History: *1987 c 268 art 1 s 23; 1988 c 719 art 2 s 15-18; art 3 s 12; 1989 c 27 art 2 s 1-3; 1989 c 28 s 25; 1Sp1989 c 1 art 10 s 7,8; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1995 c 264 art 10 s 7; 1997 c 231 art 6 s 10,11; 2000 c 490 art 4 s 9-11; 2009 c 14 s 1; 2014 c 308 art 9 s 64*

290.02 FRANCHISE TAX ON CORPORATIONS MEASURED BY NET INCOME.

An annual franchise tax on the exercise of the corporate franchise to engage in contacts with this state that produce gross income attributable to sources within this state is imposed upon every corporation that so exercises its franchise during the taxable year.

Contacts within this state do not include transportation in interstate or foreign commerce, or both, by means of ships navigating within or through waters that are made international for navigation purposes by any treaty or agreement to which the United States is a party.

The tax so imposed is measured by the corporations' taxable income and alternative minimum taxable income for the taxable year for which the tax is imposed, and computed in the manner and at the rates provided in this chapter.

History: *(2394-2) 1933 c 405 s 2; Ex1937 c 49 s 2; 1947 c 635 s 2; 1974 c 556 s 18; 1975 c 349 s 7; 1976 c 2 s 102; 1982 c 523 art 1 s 4; 1987 c 268 art 1 s 24; 1Sp1989 c 1 art 10 s 9*

290.03 INCOME TAX; IMPOSITION, CLASSES OF TAXPAYERS.

An annual tax for each taxable year, computed in the manner and at the rates hereinafter provided, is hereby imposed upon the taxable income for such year of the following classes of taxpayers:

(1) Resident and nonresident individuals;

(2) Estates of decedents, dying domiciled within or without this state;

(3) Trusts (except those taxable as corporations) however created by residents or nonresidents or by domestic or foreign corporations.

History: *(2394-3) 1933 c 405 s 3; Ex1937 c 49 s 3; 1941 c 550 s 1; 1945 c 410 s 1; Ex1957 c 1 art 3; 1963 c 587 s 1; 1967 c 577 s 1; 1971 c 769 s 2; 1973 c 711 s 3; 1975 c 349 s 29; 1977 c 376 s 13; 1980 c 419 s 2; 1982 c 523 art 1 s 5; 1987 c 268 art 1 s 25*

290.031 Subdivision 1. MS 1976 [Repealed, 1978 c 721 art 5 s 1]

Subd. 2. MS 1976 [Repealed, 1978 c 721 art 5 s 1]

Subd. 3. MS 1976 [Repealed, 1978 c 721 art 5 s 1]

Subd. 4. MS 1977 Supp [Repealed, 1978 c 721 art 5 s 1]

Subd. 5. MS 1976 [Repealed, 1978 c 721 art 5 s 1]

Subd. 6. MS 1976 [Repealed, 1978 c 721 art 5 s 1]

290.032 LUMP-SUM DISTRIBUTION TAX.

Subdivision 1. **Imposition.** There is hereby imposed as an addition to the annual income tax for a taxable year of a taxpayer in the classes described in section 290.03 a tax with respect to any distribution received by such taxpayer that is treated as a lump-sum distribution under section 1401(c)(2) of the Small Business Job Protection Act, Public Law 104-188 and that is subject to tax for such taxable year under section 1401(c)(2) of the Small Business Job Protection Act, Public Law 104-188.

Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump-sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over taxable net income for a qualified individual as provided under section 290.0802, subdivision 2.

Subd. 3. **Nonapplication.** The tax imposed by this section shall not be applicable to a nonresident individual.

Subd. 4. MS 1980 [Repealed, 1981 c 343 s 42]

Subd. 5. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

History: *1975 c 349 s 28; 1977 c 376 s 2,13; 1979 c 303 art 1 s 3,4; 1980 c 607 art 1 s 32; 1981 c 60 s 27; 1981 c 178 s 11; 1982 c 523 art 1 s 69; art 40 s 14; 1983 c 15 s 3; 1983 c 207 s 43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; art 4 s 1; 1Sp1985 c 14 art 1 s 13; art 21 s 3,49; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 26,27; 1988 c 719 art 1 s 6; art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1995 c 264 art 15 s 1,2; 1Sp2005 c 3 art 4 s 8,9; 1Sp2019 c 6 art 1 s 34*

290.033 NET INVESTMENT INCOME TAX.

(a) For purposes of this section, "net investment income" has the meaning given in section 1411(c) of the Internal Revenue Code, except:

(1) net investment income excludes the net gain attributable to the disposition of property classified as class 2a under section 273.13, subdivision 23; and

(2) net investment income is adjusted for capital gains in an opportunity zone, as provided in paragraph (e).

(b) In addition to the tax computed under section 290.06, subdivision 2c, a tax is imposed on the net investment income of individuals, estates, and trusts in excess of $1,000,000 at a rate of one percent.

(c) For an individual who is not a Minnesota resident for the entire taxable year, the tax under this subdivision must be calculated as if the individual is a Minnesota resident for the entire year, and that amount must be multiplied by a fraction in which:

(1) the numerator is net investment income allocable under section 290.17 to Minnesota; and

(2) the denominator is the total amount of net investment income for the taxable year.

(d) For an estate or trust, the tax on net investment income must be computed by multiplying the net investment income tax liability by a fraction, the numerator of which is the amount of the estate or trust's net investment income allocated to the state pursuant to the provisions of sections 290.17, 290.191, and 290.20, and the denominator of which is the taxpayer's total net investment income.

(e) For a taxpayer with an addition under section 290.0131, subdivision 24, net investment income is increased by the amount of the addition. For a taxpayer with a subtraction under section 290.0132, subdivision 40, net investment income is reduced by the amount of the subtraction.

History: *2023 c 64 art 1 s 30; 2026 c 128 art 1 s 21*

290.034 NET CFC TESTED INCOME.

(a) The amount of net CFC tested income for Minnesota purposes is calculated as follows:

(1) any amounts included in federal taxable income pursuant to section 951A of the Internal Revenue Code as modified under section 290.035; minus

(2) the amount calculated under section 951A(b)(2)(A) of the Internal Revenue Code, as amended through May 1, 2023. The calculation excludes section 951A(b)(2)(B). Any internal references to the calculation refer to the Internal Revenue Code as amended through May 1, 2023.

(b) The result of the calculation under paragraph (a) must not be less than zero.

History: *2026 c 128 art 1 s 22*

290.035 ADJUSTMENT FOR NET CFC TESTED INCOME AND SUBPART F INCOME.

For purposes of determining a United States shareholder's Net CFC tested income under section 951A of the Internal Revenue Code or subpart F income under section 951 of the Internal Revenue Code, the provisions of Public Law 119-21 relating to the permanent extension of the look-thru rule under section 70351 do not apply.

History: *2026 c 128 art 1 s 23*

290.036 TAX ON AMOUNTS OBTAINED THROUGH FRAUD.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "First-tier rate" means the lowest rate cited in section 290.06, subdivision 2c, paragraphs (a) to (c).

(c) "Public program" and "fraud" have the meanings given in section 13.357.

(d) "Program fraud amount" means the amount of money acquired directly or indirectly by fraud of a public program that is certified to the commissioner under subdivision 4. Program fraud amount excludes refunds for overpayment of taxes.

Subd. 2. **Tax imposed.** (a) A tax equal to 100 percent of the program fraud amount is imposed on any person or organization convicted by a state or federal court of fraud.

(b) The tax under this section applies regardless of any amount of restitution, tax, or penalty imposed on or paid by a person or organization described in paragraph (a).

(c) If multiple persons or organizations are convicted of the same fraud, the liability shall be joint and several on the convicted persons or organizations.

(d) The assessment of this tax under paragraph (a) is considered a jeopardy assessment or jeopardy collection as provided in section 270C.36.

Subd. 3. **Data sharing.** As authorized by section 270B.14, subdivision 25, the commissioner may share with the Financial Crimes and Fraud Section of the Bureau of Criminal Apprehension active investigative data related to enforcement of this section.

Subd. 4. **Agency certification.** (a) After a conviction of a person or organization of fraud of a public program, the agency primarily responsible for administering the public program must certify to the

commissioner the name of the person or organization, the name of the public program involved, and the amount of money the court determines the person or organization was responsible for in the conviction, regardless of the restitution amount.

(b) The agency's certification must be in the form and manner prescribed by the commissioner.

(c) An agency's certification to the commissioner is prima facie correct and valid. The person or organization has the burden of establishing its incorrectness or invalidity in any related action or proceeding.

Subd. 5. **Deposit of money.** (a) A tax relief account is established in the special revenue fund. The commissioner must deposit the money collected from the tax imposed under this section to the tax relief account.

(b) The funds will remain in this account until the following:

(1) by December 15 of each year, the commissioner must determine the amount in the tax relief account and determine the amount of a reduction in the first-tier rate for the following taxable year. The determination is based using the most recent November forecast required under section 16A.103;

(2) when there is enough money accumulated in the tax relief account, the commissioner must reduce the first-tier rate for the following taxable year. This reduction must be calculated to approximate the amount currently on deposit in the tax relief account. The reduction must only be for that taxable year. The threshold for a reduction of the rate must not be below one-tenth of one percent; and

(3) if the rate is reduced for the following taxable year under clause (2), the amounts in the tax relief account must be deposited in the general fund.

History: *2026 c 128 art 8 s 6*

290.04 LIABILITY FOR TAX.

Subdivision 1. **Accrual.** The liability for the tax imposed by section 290.02 shall arise upon the first day of the taxable year upon which a domestic corporation exercises any of the privileges specified in section 290.02 or exists as a corporation, or on which a foreign corporation is possessed of the privilege for the grant to it of the privilege of transacting or for the actual transaction by it of any local business within this state during any part of its taxable year, in corporate or organized form. The liability for the tax imposed by section 290.03 shall arise concurrently with the receipt or accrual of income during the taxable year. The provisions shall in no way affect the determination of the amount of such taxes, the time for making returns, and the time for paying such taxes.

Subd. 2. **Fiduciary relationship not to affect.** The liability of any taxpayer shall remain unaffected by the fact that such taxpayer, or the title, possession, custody, or control of the taxpayer's business or property, is in the care of a guardian, trustee, receiver, conservator, or any other person acting in any fiduciary capacity for such taxpayer or in reference to the taxpayer's business or property, unless the taxes imposed by this chapter are specifically imposed by this chapter upon any such guardian, trustee, receiver, conservator, or fiduciary.

History: *(2394-4) 1933 c 405 s 4; Ex1937 c 49 s 4; 1986 c 444*

290.05 EXEMPT INDIVIDUALS, ORGANIZATIONS, ESTATES, TRUSTS.

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming

exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company, other than a disqualified captive insurance company.

Subd. 2. **Entities taxable unless exempt under Subchapter F of Internal Revenue Code.** Except as provided in subdivisions 1 and 3, organizations, including specifically nonprofit health service plan corporations, as defined in chapter 62C, are subject to taxation under this chapter unless they are exempt from income taxation pursuant to Subchapter F of the Internal Revenue Code.

Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

(1) section 527 (dealing with political organizations);

(2) section 528 (dealing with certain homeowners associations);

(3) sections 511 to 515 (dealing with unrelated business income);

(4) section 521 (dealing with farmers' cooperatives); and

(5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code, provided that the tax is not imposed on:

(1) advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code;

(2) revenues from lawful gambling authorized under chapter 349 that are expended for purposes that qualify for the deduction for charitable contributions under section 170 of the Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the extent the contributions are not deductible in computing federal taxable income; or

(3) amounts included in unrelated business taxable income under section 512(a)(7) of the Internal Revenue Code.

The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in section 290.21 shall not be allowed in computing Minnesota taxable net income.

(c) The tax shall be imposed on organizations subject to federal tax under section 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are attributable to lobbying the Minnesota state government.

(d) In calculating unrelated business taxable income under section 512 of the Internal Revenue Code, the amount of any net operating loss deduction claimed under section 172 of the Internal Revenue Code is an addition. Taxpayers making an addition under this paragraph may deduct a net operating loss for the taxable year in the same manner as a corporation under section 290.095, in a form and manner prescribed by the commissioner, and may calculate the loss without the application of the limitation provided for under section 512(a)(6) of the Internal Revenue Code.

Subd. 4. **Notification to commissioner of federal action.** (a) If the Internal Revenue Service revokes, cancels or suspends, in whole or part, the exempt status of any corporation, individual, estate, trust or organization, or if the amount of gross income, deductions, credits, items of tax preference or taxable income is changed or corrected by either the taxpayer or the Internal Revenue Service, or if the taxpayer consents to any extension of time for assessment of federal income taxes, the corporation, individual, estate, trust or organization shall notify the commissioner in writing of the action within 90 days after that date.

(b) The periods of limitations contained in section 289A.42, subdivision 2, apply when there has been any action referred to in paragraph (a), notwithstanding any period of limitations to the contrary.

Subd. 5. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 6. MS 1992 [Repealed, 1994 c 587 art 1 s 25]

Subd. 7. MS 1988 [Repealed, 1989 c 184 art 1 s 20]

Subd. 8. **Authority to revoke exemption for failure to comply with federal law.** The commissioner may examine or investigate an entity claiming exemption under this section and subpart F of the Internal Revenue Code. The commissioner may revoke the exemption under this section for violations of federal law that would permit the commissioner of internal revenue or the secretary of the treasury to revoke the exemption under federal law, regardless of whether such action has been taken under federal law. A revocation under this subdivision is subject to administrative review under section 270C.35.

History: *(2394-5) 1933 c 405 s 5; Ex1937 c 49 s 5; 1939 c 446 s 1,2; 1941 c 109 s 1; 1941 c 550 s 2; 1943 c 643 s 1; 1943 c 656 s 27; 1947 c 635 s 3; 1953 c 647 s 1; 1965 c 596 s 1; 1967 c 671 s 1; 1971 c 769 s 2; 1971 c 802 s 1; 1973 c 123 art 2 s 1 subd 2; art 5 s 7; 1973 c 582 s 3; 1973 c 711 s 3; 1975 c 349 s 29; 1977 c 376 s 13; 1980 c 607 art 1 s 32; 1981 c 343 s 2; 1Sp1981 c 4 art 1 s 133; 1982 c 523 art 1 s 6,7; art 40 s 14; 1983 c 207 s 7,43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; art 2 s 8; 1985 c 229 s 1; 1Sp1985 c 14 art 1 s 14; art 21 s 49; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 28,29,126; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1989 c 209 art 2 s 32; 1Sp1989 c 1 art 10 s 10-12; 1990 c 480 art 1 s 28; 1990 c 604 art 2 s 3,16; 1991 c 291 art 6 s 46; art 7 s 9; 1992 c 511 art 6 s 12,19; art 7 s 13; 1994 c 587 art 1 s 10,11; 1995 c 186 s 57; 1Sp2001 c 5 art 9 s 9; 2005 c 151 art 2 s 17; 1Sp2011 c 7 art 7 s 2; 1Sp2017 c 1 art 1 s 12; 1Sp2019 c 6 art 1 s 35; art 2 s 15*

290.06 RATES OF TAX; CREDITS.

Subdivision 1. **Computation, corporations.** The franchise tax imposed upon corporations shall be computed by applying to their taxable income the rate of 9.8 percent.

Subd. 1a. [Repealed, 1990 c 604 art 2 s 21]

Subd. 2. MS 1969 [Repealed, Ex1971 c 31 art 18 s 6]

Subd. 2a. MS 1965 [Repealed, Ex1967 c 32 art 14 s 12]

Subd. 2b. MS 1978 [Repealed, 1980 c 419 s 46]

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

(1) On the first $38,770, 5.35 percent;

(2) On all over $38,770, but not over $154,020, 6.8 percent;

(3) On all over $154,020, but not over $269,010, 7.85 percent;

(4) On all over $269,010, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

(1) On the first $26,520, 5.35 percent;

(2) On all over $26,520, but not over $87,110, 6.8 percent;

(3) On all over $87,110, but not over $161,720, 7.85 percent;

(4) On all over $161,720, 9.85 percent.

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

(1) On the first $32,650, 5.35 percent;

(2) On all over $32,650, but not over $131,190, 6.8 percent;

(3) On all over $131,190, but not over $214,980, 7.85 percent;

(4) On all over $214,980, 9.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on

income brackets of not more than $100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to $1.

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by:

(i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19, and 20 to 26, and 290.0137, paragraph (a); and reduced by

(ii) the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132, subdivisions 9, 14, 15, 18, 27, 31, 32, 40, and 41, and 290.0137, paragraph (c), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

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

(i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19, and 20 to 26, and 290.0137, paragraph (a); and reduced by

(ii) the subtractions under sections 290.0132, subdivisions 2, 9, 14, 15, 18, 27, 31, 32, 40, and 41, and 290.0137, paragraph (c).

(f) If an individual who is not a Minnesota resident for the entire year is a qualifying owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as provided in paragraph (e), and also must include, to the extent attributed to the electing qualifying entity:

(1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the addition under section 290.0131, subdivision 5; and

(2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the subtraction under section 290.0132, subdivision 3.

Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c as provided in section 270C.22. The statutory year is taxable year 2019. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount. The commissioner shall determine the rate bracket for married filing separate returns after this adjustment is done. The rate bracket for married filing separate must be one-half of the rate bracket for married filing joint.

Subd. 2e. MS 1983 Supp [Repealed, 1984 c 502 art 2 s 17]

Subd. 2f. MS 1985 Supp [Repealed, 1Sp1986 c 1 art 8 s 19]

Subd. 2g. **First-time home buyer savings account.** (a) For purposes of this subdivision, the terms defined in section 462D.02 have the meanings given in that section.

(b) In addition to the tax computed under subdivision 2c, an additional amount of tax applies equal to the additional tax computed for the taxable year for the account holder of a first-time home buyer account under section 462D.06, subdivision 3.

Subd. 2h. **Section 529 plan recapture.** (a) For the purposes of this subdivision:

(1) the definitions under section 290.0684 apply;

(2) "account owner" means an individual who owns one or more qualified accounts;

(3) "credit ratio" means the ratio of (i) two times the total amount of credits that an account owner claimed under section 290.0684 for contributions to the account owner's qualified accounts to (ii) the total contributions in all taxable years to the account owner's qualified accounts;

(4) "qualified higher education expenses" has the meaning given in section 529(e)(3) of the Internal Revenue Code, except:

(i) section 529(c)(7) does not apply; and

(ii) qualified higher education expenses do not include qualified postsecondary credentialing expenses, as defined in section 529(f) of the Internal Revenue Code; and

(5) "subtraction ratio" means the ratio of (i) the total amount of subtractions that an account owner claimed under section 290.0132, subdivision 23, for contributions to the account owner's qualified accounts to (ii) the total contributions in all taxable years to the account owner's qualified accounts.

(b) If a distribution from a qualified account is used for a purpose other than to pay for qualified higher education expenses, the account owner must pay an additional tax equal to:

(1) 50 percent of the product of the credit ratio and the amount of the distribution; plus

(2) ten percent of the product of the subtraction ratio and the amount of the distribution.

(c) The additional tax under this subdivision does not apply to any portion of a distribution that is subject to the additional tax under section 529(c)(6) of the Internal Revenue Code.

Subd. 3. MS 1965 [Repealed, Ex1967 c 32 art 14 s 12]

Subd. 3a. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 3b. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 3c. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 3d. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 3e. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 3f. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 3g. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 4. MS 1969 [Repealed, Ex1971 c 31 art 6 s 2]

Subd. 5. [Expired]

Subd. 6. MS 1969 [Repealed, Ex1971 c 31 art 6 s 2]

Subd. 7. [Expired]

Subd. 8. MS 1965 [Repealed, Ex1967 c 32 art 2 s 1]

Subd. 9. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

Subd. 9a. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

Subd. 10. MS 2010 [Repealed, 2011 c 112 art 5 s 8]

Subd. 11. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 12. MS 1978 [Repealed, 1979 c 303 art 1 s 23]

Subd. 13. MS 1983 Supp [Repealed, 1984 c 502 art 14 s 20]

Subd. 14. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 15. MS 1984 [Repealed, 1Sp1986 c 1 art 3 s 21]

Subd. 16. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 17. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 18. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 19. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 20. MS 1987 Supp [Repealed, 1988 c 719 art 1 s 21]

Subd. 21. MS 1994 [Repealed, 1996 c 471 art 9 s 16]

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.0131, subdivision 2, and the subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter; and

(2) the allowance of the credit does not reduce the taxes paid under this chapter to an amount less than what would be assessed if the gross income earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income. For purposes of this paragraph, "partnership" includes a limited liability company and "partner" includes a member of a limited liability company.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

(l)(1) The credit allowed to a qualifying individual under this section for tax paid to a qualifying state equals the credit calculated under paragraphs (b) and (d), plus the amount calculated by multiplying:

(i) the difference between the preliminary credit and the credit calculated under paragraphs (b) and (d), by

(ii) the ratio derived by dividing the income subject to tax in the qualifying state that consists of compensation for performance of personal or professional services by the total amount of income subject to tax in the qualifying state.

(2) If the amount of the credit that a qualifying individual is eligible to receive under clause (1) for tax paid to a qualifying state exceeds the tax due under this chapter before the application of the credit calculated under clause (1), the commissioner shall refund the excess to the qualifying individual. An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner from the general fund.

(3) For purposes of this paragraph, "preliminary credit" means the credit that a qualifying individual is eligible to receive under paragraphs (b) and (d) for tax paid to a qualifying state without regard to the limitation in paragraph (d), clause (2); "qualifying individual" means a Minnesota resident under section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable year for the performance of personal or professional services within a qualifying state; and "qualifying state" means a state with which an agreement under section 290.081 is not in effect for the taxable year but was in effect for a taxable year beginning before January 1, 2010.

(m) For purposes of this subdivision, a resident sole member of a disregarded limited liability company must be considered to have paid a tax imposed on the sole member in an amount equal to the net income tax paid by the disregarded limited liability company to another state. For the purposes of this paragraph, the term "disregarded limited liability company" means a limited liability company that is disregarded as an entity separate from its owner as defined in Code of Federal Regulations, title 26, section 301.7701, and "net income tax" means any tax imposed on or measured by a disregarded limited liability company's net income.

Subd. 22a. MS 2012 [Repealed, 2013 c 143 art 6 s 34]

Subd. 23. **Refund of contributions to political parties and candidates.** (a) A taxpayer may claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum total refund per calendar year for an individual must not exceed $75 and for a married couple, filing jointly, must not exceed $150. The commissioner must not issue a refund, whether in one payment or in aggregate, to a taxpayer that exceeds the maximum refund amounts specified in this subdivision. A refund of a contribution is allowed only if the taxpayer files:

(1) a form required by the commissioner and attaches to the form an official refund receipt issued by the candidate or party and signed by the candidate, the treasurer of the candidate's principal campaign committee, or the chair or treasurer of the party unit, after the contribution was received; or

(2) a claim using the electronic filing system authorized in paragraph (i).

The form or claim must include one or more unique receipt validation numbers from receipts issued pursuant to section 10A.322, subdivision 4.

(b) A claim must be filed with the commissioner no sooner than January 1 of the calendar year in which the contribution was made and no later than April 15 of the calendar year following the calendar year in which the contribution was made. A claim must be for a minimum of $10. Amounts paid by the commissioner after June 15 of the calendar year following the calendar year in which the contribution was made must include interest at the rate specified in section 270C.405.

(c) No refund is allowed under this subdivision for a contribution to a candidate unless the candidate:

(1) has signed an agreement to limit campaign expenditures as provided in section 10A.322;

(2) is seeking an office for which voluntary spending limits are specified in section 10A.25; and

(3) has designated a principal campaign committee.

This subdivision does not limit the campaign expenditures of a candidate who does not sign an agreement but accepts a contribution for which the contributor improperly claims a refund.

(d) For purposes of this subdivision, "political party" means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a.

A "major party" or "minor party" includes the aggregate of that party's organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts.

"Candidate" means a candidate as defined in section 10A.01, subdivision 10, except a candidate for judicial office.

"Contribution" means a gift of money.

(e) The commissioner shall make copies of the form available to the public and candidates upon request.

(f) The following data collected or maintained by the commissioner under this subdivision are private: the identities of individuals claiming a refund, the identities of candidates to whom those individuals have made contributions, and the amount of each contribution.

(g) The commissioner shall report to the campaign finance and public disclosure board by each August 1 a summary showing the total number and aggregate amount of political contribution refunds made on behalf of each candidate and each political party. These data are public.

(h) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

(i) The commissioner must establish an electronic filing system by which refunds are claimed.

Subd. 23a. **Pass-through entity tax paid to another state.** (a) A credit is allowed against the tax imposed on a qualifying entity under section 289A.08, subdivision 7a, for pass-through entity tax paid to another state. The credit under this subdivision is allowed as a credit for taxes paid to another state under subdivision 22, paragraph (a), and may only be claimed by a qualifying owner. The credit allowed under this subdivision must be claimed in a manner prescribed by the commissioner.

(b) This subdivision expires for taxable years beginning after December 31, 2027, except that the expiration of this subdivision does not affect the commissioner's authority to audit or power of examination and assessments for credits claimed under this section.

(c) As used in this subdivision, the following terms have the meanings given:

(1) "income" has the meaning provided in section 290.01, subdivision 19, paragraph (i);

(2) "pass-through entity tax" means an entity-level tax imposed on the income of a partnership, limited liability corporation, or S corporation;

(3) "qualifying entity" has the meaning provided in section 289A.08, subdivision 7a, paragraph (a); and

(4) "qualifying owner" has the meaning provided in section 289A.08, subdivision 7a, paragraph (b).

[See Note.]

Subd. 24. MS 2010 [Repealed, 2012 c 294 art 2 s 43]

Subd. 25. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 26. MS 2000 [Repealed, 1Sp2001 c 5 art 9 s 30]

Subd. 27. **Tax paid to another state; corporations.** (a) A credit is allowed against the tax imposed under subdivision 1 for tax paid to another state based on net income. The credit must be claimed in a manner prescribed by the commissioner.

(b) The amount of the credit equals the amount of qualifying tax paid to the other state for the taxable year, multiplied by the taxpayer's apportionment percentage under section 290.191. If the item of income or gain is assigned to Minnesota as nonbusiness income, the entire amount of the qualifying tax is allowed as a credit. The maximum amount of the credit is limited to the tax liability under subdivision 1 for the taxable year and, in no case, may the credit exceed the reduction in the amount of tax under subdivision 1 if the item of income or gain were excluded from net income.

(c) For purposes of this subdivision, "qualifying tax" means the amount of tax paid to another state on an item of income or gain for the taxable year, if:

(1) the law of another state requires and the taxpayer assigns the entire amount of the income or gain to one other state; and

(2) the income or gain is included in the measure of the exercise of the corporate franchise that is taxable under subdivision 1.

(d) The amount of tax paid to another state on an item of income or gain is the difference between the tax paid to the state and the amount of tax that would have been paid to the state if the item of income or gain had not been included in the net income of that state.

(e) The taxpayer must report to the commissioner of revenue any change in tax in the other state, the change in qualifying tax, and a copy of the final determination of the tax by the taxing authority of the other state. A taxpayer who claims the credit consents to extend the period of limitation for the commissioner to recompute the credit and reassess the tax due, including a refund, for a period of one year following a report by the taxpayer of a final determination of tax by the state in which the entire amount of income or gain is reported, notwithstanding any period of limitations to the contrary, or within any applicable period of limitations, whichever is longer. If a taxpayer fails to report as required by this paragraph, the commissioner may recompute the tax, including a refund, based on the information available to the commissioner. The tax may be recomputed within six years after the report should have been filed, notwithstanding any period of limitations to the contrary.

Subd. 28. **Credit for transit passes.** A taxpayer may take a credit against the tax due under this chapter equal to 30 percent of the expense incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes from the transit system operator, and resells them to the employees, the credit is based on the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

Subd. 29. MS 2024 [Repealed, 2026 c 128 art 11 s 18]

Subd. 30. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 31. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 32. MS 2010 [Repealed, 2012 c 294 art 2 s 43]

Subd. 33. **Bovine testing credit.** (a) An owner of cattle in Minnesota may take a credit against the tax due under this chapter for an amount equal to: (1) for corporate filers, including shareholders of an S corporation under section 290.9725, 25 percent of the expenses incurred during the taxable year to conduct tuberculosis testing on those cattle; and (2) for all other filers, one-half the expenses incurred during the taxable year to conduct tuberculosis testing on those cattle.

(b) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(d) Expenses incurred in a calendar year in which tuberculosis testing of cattle in Minnesota is not federally required are not allowed in claiming the credit under paragraph (a).

Subd. 34. MS 2008 [Repealed, 2010 c 216 s 62]

Subd. 35. **Seed capital investment credit.** (a) An individual, estate, or trust is allowed a credit against the tax imposed by this chapter for investments in a qualifying business certified under section 116J.8732, subdivision 3. The credit equals 45 percent of the amount invested by the taxpayer in qualified businesses during the taxable year. The credit must not exceed $112,500 for each taxable year.

(b) A pass-through entity that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this subdivision and the amount of the credit allowed with respect to a pass-through entity's investment in a qualified business must be determined at the pass-through entity level. The amount of the total credit determined at the pass-through entity level must be allowed to the members in proportion to their respective interests in the pass-through entity.

(c) An investment made in a qualified business from the assets of a retirement plan is deemed to be the retirement plan participant's investment for the purpose of this subdivision if a separate account is maintained for the plan participant and the participant directly controls where the account assets are invested.

(d) The investment must be made on or after the certification effective date and must be at risk in the business to be eligible for the tax credit under this subdivision. An investment for which a credit is received under this subdivision must remain in the qualified business for at least three years. Investments placed in escrow do not qualify for the credit.

(e) The entire amount of an investment for which a credit is claimed under this subdivision must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.

(f) A taxpayer who owns a controlling interest in the qualified business or who receives more than 50 percent of the taxpayer's gross annual income from the qualified business is not entitled to a credit under this subdivision. A member of the immediate family of a taxpayer disqualified by this subdivision is not

entitled to the credit under this subdivision. For purposes of this subdivision, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

(g) The commissioner may disallow any credit otherwise allowed under this subdivision if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this subdivision or section 116J.8732 or any conditions consistent with those requirements otherwise determined by the commissioner. The commissioner has four years after the due date of the return or after the return was filed, whichever period expires later, to audit the credit and assess additional tax that may be found due to failure to comply with the provisions of this subdivision and section 116J.8732. The amount of any credit disallowed by the commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under chapter 289A, must be paid by the taxpayer.

(h) If the amount of the credit under this subdivision for any taxable year exceeds the limitations under paragraph (a), the excess is a credit carryover to each of the four succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less the credit for the taxable year. Each year, the aggregate amount of seed capital investment tax credit allowed for investments under this subdivision is limited to allocations that a border city has available for tax reductions in border city enterprise zones under section 469.169. The city must annually notify the commissioner of the amount of its section 469.169 allocations that it wishes to use to provide credits under this paragraph and the commissioner, after verifying the available allocation, shall implement the limit under this paragraph. If investments in qualified businesses reported to the commissioner exceed the limit on credits for investments imposed by this subdivision, the credit must be allowed to taxpayers in the chronological order of their investments in qualified businesses as determined from the forms filed under section 116J.8732.

Subd. 36. MS 2016 [Repealed, 1Sp2017 c 1 art 1 s 44]

Subd. 37. **Beginning farmer incentive credit.** (a) A beginning farmer incentive credit is allowed against the tax due under this chapter for the sale or rental of agricultural assets to a beginning farmer according to section 41B.0391, subdivision 2, and is limited to the amount stated on the certificate issued under section 41B.0391, subdivision 4.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax, less the beginning farmer incentive credit for the taxable year.

(d) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each based on the partner's, member's, shareholder's, or owner's share of the entity's assets or as specially allocated in the organizational documents or any other executed agreement, as of the last day of the taxable year.

(e) For a nonresident or part-year resident, the credit under this section must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(f) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

(g) This subdivision expires at the same time and on the same terms as section 41B.0391, except that the expiration of this subdivision does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this subdivision.

Subd. 38. **Beginning farmer management credit.** (a) A taxpayer who is a beginning farmer may take a credit against the tax due under this chapter for participation in a financial management program according to section 41B.0391, subdivision 3.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover to each of the three succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax, less the beginning farmer management credit for the taxable year.

(d) For a part-year resident, the credit under this section must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(e) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

(f) This subdivision expires at the same time and on the same terms as section 41B.0391, except that the expiration of this subdivision does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this subdivision.

Subd. 39. **Film production credit.** (a) A taxpayer, including a taxpayer to whom a credit has been assigned under section 116U.27, subdivision 3, may claim a credit against the tax imposed by this chapter equal to the amount certified on a credit certificate under section 116U.27, subject to the limitations in this subdivision.

(b) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a film production credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph must not exceed the taxpayer's liability for tax, less any film production credit for the taxable year.

(c) Credits allowed to a partnership, a limited liability company taxed as a partnership, or an S corporation are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each based on the partner's, member's, shareholder's, or owner's share of the entity's assets, or as specially allocated in the organizational documents or any other executed agreement, as of the last day of the taxable year.

(d) Notwithstanding the approval and certification by the commissioner of employment and economic development under section 116U.27, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess the amount of any improperly claimed credit. The commissioner may only assess the original recipient of the credit certificate for the amount of improperly claimed credits. The commissioner may not assess a credit certificate assignee for any amount of improperly claimed credits, and an assignee's claim for credit is not affected by the commissioner's assessment of improperly claimed credits against the assignor.

(e) This subdivision expires January 1, 2031, for taxable years beginning after December 31, 2030, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this subdivision.

Subd. 40. **Pass-through entity tax credit.** (a) A qualifying owner of a qualifying entity that elects to pay the pass-through entity tax under section 289A.08, subdivision 7a, may claim a credit against the tax due under this chapter equal to the amount of the owner's tax liability as calculated under section 289A.08, subdivision 7a, paragraph (d). The commissioner may disallow a credit if the tax liability of the qualifying entity has not been paid.

(b) If the amount of the credit the taxpayer may claim under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer. The amount necessary to pay the claim for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(c) For purposes of this subdivision, "qualifying entity," "qualifying owner," and "tax liability" have the meanings given in section 289A.08, subdivision 7a, paragraphs (a) and (d).

History: *(2394-6) 1933 c 405 s 6; Ex1937 c 49 s 6; 1939 c 446 s 3; 1941 c 550 s 3; 1943 c 656 s 2; 1945 c 604 s 3; 1947 c 635 s 4; 1949 c 642 s 13; 1949 c 734 s 4,5; 1951 c 605 s 1,2; 1951 c 676 s 1; 1953 c 667 s 1,2; 1955 c 84 s 1; 1957 c 847 s 1; Ex1957 c 1 art 1 s 1; art 2 s 1; art 7 s 2; Ex1959 c 70 art 3 s 1-5; Ex1961 c 91 art 1 s 1,2; art 5 s 1,3,4; art 6 s 1; 1963 c 835 s 1; 1963 c 886 s 1-4; 1965 c 884 art 1 s 1-4; Ex1967 c 32 art 12 s 1; art 14 s 1-5; 1969 c 399 s 25,26; 1969 c 881 s 2-5; 1969 c 1000 s 1; 1971 c 35 s 1; 1971 c 794 s 1,2; Ex1971 c 2 s 1,2; Ex1971 c 31 art 6 s 1; art 18 s 1-4; 1973 c 22 s 1; 1973 c 582 s 3; 1973 c 650 art 22 s 1; 1974 c 470 s 35; 1974 c 556 s 3; 1975 c 349 s 8,9; 1975 c 355 s 1; 1975 c 437 art 9 s 2; 1976 c 2 s 103; 1977 c 250 s 1; 1977 c 386 s 2; 1977 c 423 art 1 s 4,5; 1978 c 463 s 106; 1978 c 721 art 2 s 1; art 3 s 1; art 4 s 1; art 7 s 1; art 8 s 1; art 9 s 1; 1979 c 59 s 7; 1979 c 303 art 1 s 5-10; art 4 s 1-3; art 5 s 1-3; art 10 s 6; 1980 c 509 s 113,114; 1980 c 607 art 1 s 3-7,32; art 9 s 1; 1981 c 29 art 7 s 30; 1981 c 60 s 2; 1981 c 178 s 12-16; 1981 c 343 s 3; 1981 c 356 s 192; 1Sp1981 c 1 art 1 s 1,2; 3Sp1981 c 2 art 3 s 3,4; 1982 c 424 s 130; 1982 c 523 art 1 s 8,9; art 10 s 1; art 29 s 1; art 40 s 14; 3Sp1982 c 1 art 5 s 3; 1983 c 15 s 4-7; 1983 c 207 s 43; 1983 c 216 art 2 s 6; 1983 c 289 s 115 subd 1; 1983 c 301 s 178; 1983 c 342 art 1 s 6,7,11,43; 1984 c 502 art 2 s 5,6; 1984 c 514 art 1 s 8; art 2 s 9-12,14; 1984 c 640 s 32; 1984 c 644 s 52-54; 1985 c 210 art 2 s 1; 1Sp1985 c 14 art 1 s 15-20; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 3 s 2; 1987 c 268 art 1 s 30-34; 1987 c 384 art 3 s 11; 1988 c 719 art 1 s 7,8; art 2 s 19,20; art 3 s 12; 1989 c 28 s 10,11,25; 1Sp1989 c 1 art 10 s 13-16; 1990 c 604 art 2 s 4,5,16; 1990 c 608 art 3 s 28; 1991 c 291 art 6 s 21-24,46; art 7 s 10; 1991 c 350 art 1 s 18; 1992 c 511 art 6 s 13,19; 1992 c 517 art 1 s 11; 1993 c 318 art 2 s 50; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 12,24; 1995 c 264 art 1 s 4; 1996 c 471 art 1 s 4,5; 1997*

c 31 art 1 s 15; 1997 c 202 art 2 s 63; 1997 c 231 art 5 s 5; art 6 s 12; 1998 c 389 art 6 s 6; art 7 s 6; 1999 c 220 s 49,50; 1999 c 243 art 2 s 8-11; 2000 c 263 s 1; 2000 c 490 art 4 s 12-16; 1Sp2001 c 5 art 7 s 34,35; art 9 s 10; 2003 c 127 art 3 s 10; art 14 s 4; 1Sp2003 c 21 art 1 s 5,6; art 2 s 4,5; 2005 c 151 art 2 s 17; art 6 s 15; 1Sp2005 c 3 art 4 s 10; art 10 s 4,5; 2006 c 259 art 1 s 1; 2007 c 138 s 11; 2008 c 152 art 3 s 2; 2008 c 154 art 4 s 6; art 11 s 13; 2008 c 366 art 4 s 7; art 5 s 9; 2009 c 88 art 1 s 8; 2010 c 389 art 3 s 12; 1Sp2010 c 1 art 13 s 4; 2011 c 112 art 6 s 3; 1Sp2011 c 7 art 6 s 22; 2012 c 294 art 2 s 11; 2013 c 143 art 6 s 10-12; 2014 c 150 art 1 s 14; 2016 c 158 art 3 s 12,13; 1Sp2017 c 1 art 1 s 13-17; 2019 c 50 art 1 s 90; 1Sp2019 c 6 art 1 s 36,37; art 2 s 16; art 12 s 2,3; 1Sp2021 c 14 art 1 s 9; art 3 s 4-6; 2023 c 1 s 15; 2023 c 64 art 1 s 31-33; art 2 s 4,7; art 16 s 2; 2025 c 20 s 231,232; 1Sp2025 c 13 art 1 s 9; 2026 c 128 art 1 s 24,25; art 2 s 12,13,17

NOTE: Subdivision 23a is revived and reenacted effective retroactively from January 1, 2026. Laws 2026, chapter 128, article 2, section 17.

290.0601 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0602 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0603 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0604 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0605 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0606 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0607 MS 1971 [Repealed, 1973 c 650 art 16 s 4]

290.0608 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0609 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.061 MS 1953 [Repealed, Ex1957 c 1 art 1 s 2]

290.061 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0611 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0612 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0613 MS 1969 [Repealed, Ex1971 c 31 art 8 s 8]

290.0614 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0615 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0616 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0617 MS 1971 [Repealed, 1973 c 650 art 16 s 4]

290.0618 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.062 [Expired]

290.063 [Expired]

290.064 [Expired]

290.065 MS 1967 [Repealed, 1969 c 399 s 51]

290.066 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.0661 MINNESOTA CHILD TAX CREDIT.

Subdivision 1. **Definitions.** For the purposes of this section, "qualifying child" has the meaning given in section 32(c) of the Internal Revenue Code, except:

(1) excluding individuals who attained the age of 18 or greater in the taxable year; and

(2) section 32(m) of the Internal Revenue Code does not apply.

Subd. 2. **Credit allowed.** A taxpayer who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter, as provided in this section. To be eligible for the credit under this section, the taxpayer must be eligible for the credit under section 290.0671, except a taxpayer whose earned income was insufficient to claim a credit under that section but who otherwise qualifies to claim the credit is eligible.

Subd. 3. **Credit amount.** The credit under this section equals $1,750 per qualifying child.

Subd. 4. **Phaseout.** The credits under subdivision 2 and section 290.0671 are phased down jointly. The combined amount of the credits is reduced by 12 percent of earned income or adjusted gross income, whichever is greater, in excess of the phaseout threshold. The phaseout threshold equals:

(1) $35,000 for a married taxpayer filing a joint return; or

(2) $29,500 for all other filers.

Subd. 5. **Part-year residents.** For a part-year resident, the combined amounts of the credit under this section and section 290.0671, after the phaseout in subdivision 4, must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 6. **Credit refundable; appropriation.** If the amount of credit which the claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 7. **Inflation adjustment.** (a) For taxable years beginning after December 31, 2025, the commissioner of revenue must annually adjust for inflation the credit amount in subdivision 3 as provided in section 270C.22. The adjusted amounts must be rounded to the nearest $60. The statutory year is taxable year 2025.

(b) For taxable years beginning after December 31, 2023, the commissioner of revenue must annually adjust for inflation the phaseout thresholds in subdivision 4, as provided in section 270C.22. The statutory year is taxable year 2023.

Subd. 8. **Advance payment of credits.** (a) The commissioner of revenue must establish a process to allow taxpayers to elect to receive one or more advance payments of the credit under this section. The amount of advance payments must be based on the taxpayer and commissioner's estimate of the amount of credits for which the taxpayer would be eligible in the taxable year beginning in the calendar year in which the payments were made. The commissioner must not distribute advance payments to a taxpayer who does not elect to receive advance payments.

(b) The amount of a taxpayer's credit under this section for the taxable year is reduced by the amount of advance payments received by the taxpayer in the calendar year during which the taxable year began. If a taxpayer's advance payments exceeded the credit the taxpayer was eligible to receive for the taxable year, the taxpayer's liability for tax is increased by the difference between the amount of advance payments received and the credit amount.

Subd. 9. **Minimum credit.** (a) An eligible taxpayer is allowed the greater of the credit allowed under subdivision 2 or the minimum credit described in this subdivision. A taxpayer is eligible for the minimum credit under this subdivision if:

(1) the taxpayer received an advance payment of the credit under subdivision 8; and

(2) the combined amount of the taxpayer's credits under subdivision 2 and section 290.0671, after the phaseout in subdivision 4, is greater than $0.

(b) The credit allowed under this subdivision is equal to 50 percent of the credit received under subdivision 2 in the prior taxable year, unless paragraph (c) applies.

(c) If a taxpayer is claiming fewer qualifying children in the current taxable year than in the prior taxable year, the minimum credit allowed under this subdivision is equal to 50 percent of credit received under this section in the prior taxable year multiplied by a fraction in which:

(1) the numerator is the number of qualifying children in the current taxable year; and

(2) the denominator is the number of qualifying children in the prior taxable year.

History: *2023 c 64 art 1 s 34; 2024 c 127 art 68 s 2-4*

290.067 DEPENDENT CARE CREDIT.

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer under this chapter an amount equal to the taxpayer's eligible dependent care expenses, as determined under subdivision 1a, multiplied by the taxpayer's credit percentage, as determined under subdivision 1b. The credit is reduced by five percent of adjusted gross income in excess of $65,610.

(b) In the case of a nonresident or part-year resident, the credit determined under this section must be allocated using the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) For the purposes of this section, the following terms have the meanings given:

(1) "employment-related expenses" has the meaning given in section 21(b)(2) of the Internal Revenue Code; and

(2) "qualifying individual" has the meaning given in section 21(b)(1) of the Internal Revenue Code, except that in determining whether the child qualified as a dependent income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer.

Subd. 1a. **Eligible dependent care expenses.** (a) A taxpayer's eligible dependent care expenses equals the amount of employment-related expenses incurred during the taxable year, subject to the limitation in paragraph (b).

(b) A taxpayer's eligible dependent care expenses are limited to:

(1) $3,000 if there was one qualifying individual with respect to the taxpayer; or

(2) $6,000 if there were two or more qualifying individuals with respect to the taxpayer.

(c) The limits under paragraph (b), clauses (1) and (2), are reduced by the amount of dependent care assistance excluded from gross income under section 129 of the Internal Revenue Code for the taxable year.

(d) For the purposes of determining employment-related expenses, the provisions of section 21(d) of the Internal Revenue Code apply.

Subd. 1b. **Credit percentage.** (a) The credit percentage equals 35 percent, subject to the reductions in paragraph (b).

(b) A taxpayer's credit percentage is reduced by one percentage point for each $2,000, or fraction thereof, by which the taxpayer's adjusted gross income exceeds $15,000, until the credit percentage equals 20 percent.

Subd. 2. MS 2016 [Repealed, 1Sp2017 c 1 art 1 s 44]

Subd. 2a. MS 2016 [Repealed, 2018 c 182 art 1 s 109]

Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the adjusted gross income amount in subdivision 1, paragraph (a), as provided in section 270C.22. The statutory year is taxable year 2026.

Subd. 2c. **Deemed expenses.** (a) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. The amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care up to the maximum eligible expenses allowed, as determined under subdivisions 1a and 1b.

(b) If a taxpayer, regardless of filing status:

(1) has a qualifying individual who has not attained the age of one year at the close of the taxable year; and

(2) used the deemed amount under paragraph (a) in lieu of the actual employment-related expenses paid for that child, the amount of deemed employment-related expenses equals the lesser of:

(i) the earned income of the taxpayer; or

(ii) the amount of the maximum limit for one qualified individual under subdivision 1a.

The earned income limitation of section 21(d) of the Internal Revenue Code does not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

Subd. 3. **Credit to be refundable; appropriation.** If the amount of credit which a claimant would be eligible to receive pursuant to this subdivision exceeds the claimant's tax liability under this chapter, the excess amount of the credit shall be refunded to the claimant by the commissioner of revenue. The amount needed to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 4. **Right to file claim.** The right to file a claim under this section shall be personal to the claimant and shall not survive death, but such right may be exercised on behalf of a claimant by the claimant's legal

guardian or attorney-in-fact. When a claimant dies after having filed a timely claim the amount thereof shall be disbursed to another member of the household as determined by the commissioner of revenue. If the claimant was the only member of a household, the claim may be paid to the claimant's personal representative, but if neither is appointed and qualified within two years of the filing of the claim, the amount of the claim shall escheat to the state.

Subd. 5. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 6. MS 1992 [Repealed, 1994 c 587 art 1 s 25]

Subd. 7. **Special rules.** For purposes of this section, the special rules of section 21(e) of the Internal Revenue Code apply.

History: *1977 c 423 art 7 s 1,2; 1979 c 303 art 1 s 11; 1980 c 607 art 1 s 11,12; 1981 c 343 s 4; 1Sp1981 c 2 s 22; 1982 c 523 art 40 s 3,14; 1983 c 342 art 1 s 12,13; 1984 c 514 art 2 s 15,16; 1Sp1985 c 14 art 21 s 4,49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 3 s 3; 1987 c 268 art 1 s 35-38; 1988 c 719 art 1 s 9; art 3 s 12; 1989 c 28 s 12,25; 1Sp1989 c 1 art 10 s 17,18; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 25,26,46; 1992 c 511 art 6 s 19; 1994 c 587 art 1 s 13; 1995 c 1 s 4; 1995 c 264 art 10 s 8; 1997 c 231 art 5 s 6; 1998 c 389 art 7 s 7; 1999 c 159 s 127; 1Sp2001 c 5 art 7 s 36,37; 2002 c 377 art 2 s 9; art 10 s 11; 1Sp2003 c 21 art 1 s 7; 1Sp2005 c 3 art 3 s 8; art 4 s 11,12; art 10 s 6; 2008 c 154 art 11 s 14; 2009 c 12 art 1 s 8; 2009 c 88 art 1 s 9; 2010 c 389 art 3 s 13; 2012 c 294 art 2 s 12; 2014 c 150 art 1 s 15,16; 2016 c 158 art 3 s 14; 1Sp2017 c 1 art 1 s 18,19; 2018 c 182 art 1 s 73; 1Sp2019 c 6 art 1 s 38,73; 2023 c 25 s 155; 2023 c 64 art 1 s 35; 2024 c 85 s 91; 2026 c 128 art 1 s 26*

290.0671 MINNESOTA WORKING FAMILY CREDIT.

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that:

(1) a taxpayer with no qualifying children who has attained the age of 19, but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit;

(2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted gross income exceeds the income limitation under section 32 of the Internal Revenue Code; and

(3) section 32(m) of the Internal Revenue Code does not apply.

(b) A taxpayer's working family credit equals four percent of the first $8,750 of earned income.

(c) The credit under this section is increased by:

(1) $925 for a taxpayer with one qualifying older child;

(2) $2,100 for a taxpayer with two qualifying older children; or

(3) $2,500 for a taxpayer with three or more qualifying older children.

(d) The credit under this section is phased out jointly with the credit under section 290.0661, subdivision 4. For a taxpayer with one or more qualifying older children who did not qualify for the credit under section 290.0661, the phaseout rate equals nine percent.

(e) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the following clauses are not considered "earned income not subject to tax under this chapter":

(1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

(2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

(3) income derived from an Indian reservation by an enrolled member of the reservation while living on the reservation.

Subd. 1a. **Definitions.** For purposes of this section, "qualifying older child" means a qualifying child, as defined in section 32(c) of the Internal Revenue Code, that attained at least the age of 18 in the taxable year. For the purposes of determining a qualifying older child, section 32(m) of the Internal Revenue Code does not apply.

Subd. 2. **Credit name.** The credit allowed by this section shall be known as the "Minnesota working family credit."

Subd. 3. MS 2002 [Repealed, 2003 c 127 art 3 s 24]

Subd. 4. **Credit refundable.** If the amount of credit which the claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

Subd. 5. MS 2022 [Repealed by amendment, 2023 c 64 art 1 s 36]

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 6a. MS 2018 [Repealed, 1Sp2019 c 6 art 2 s 27]

Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned income amounts used to calculate the credit and the qualifying older child amounts in subdivision 1 as provided in section 270C.22. The statutory year is taxable year 2023.

History: *1991 c 291 art 6 s 27; 1992 c 511 art 6 s 19; art 7 s 14; 1993 c 375 art 8 s 9,14; 1994 c 587 art 1 s 24; 1Sp1997 c 4 art 13 s 2; 1998 c 389 art 6 s 7-9; 1999 c 243 art 2 s 12; 2000 c 490 art 4 s 17-19; 1Sp2001 c 5 art 7 s 38,39; art 10 s 7,8; 2003 c 127 art 3 s 11; 1Sp2003 c 21 art 1 s 8; 2005 c 151 art 6 s 16; 1Sp2005 c 3 art 3 s 9; art 4 s 13; art 10 s 7; 2008 c 154 art 11 s 15; 2009 c 88 art 7 s 8; 2010 c 389 art 3 s 14; 1Sp2011 c 7 art 2 s 6; 2012 c 294 art 2 s 13; 2014 c 150 art 1 s 18,19; 1Sp2015 c 3 art 11 s 1,2; 2016 c 158 art 3 s 15; 2017 c 1 s 6; 1Sp2017 c 1 art 1 s 20; 1Sp2019 c 6 art 1 s 39; art 2 s 17,18; 1Sp2021 c 14 art 1 s 10; 2023 c 1 s 16; 2023 c 25 s 156; 2023 c 64 art 1 s 36*

290.0672 LONG-TERM CARE INSURANCE CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than $100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining net income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deducted for medical care under section 290.0122, subdivision 6.

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining taxable net income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of $100 applies to each qualified beneficiary. The maximum total credit allowed per year is $200 for married couples filing joint returns and $100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

History: *1997 c 231 art 5 s 7; 2000 c 490 art 4 s 20,21; 1Sp2017 c 1 art 13 s 9; 1Sp2019 c 6 art 1 s 40,41*

290.0673 MS 2000 [Repealed, 1Sp2001 c 5 art 9 s 30]

290.0674 MINNESOTA EDUCATION CREDIT.

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12.

Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Education-related expenses" means:

(1) qualifying instructional fees or tuition;

(2) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of $200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the

taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. Amounts under this clause exclude any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle.

(c) "Qualified instructor" means an individual who is not a lineal ancestor or sibling of the dependent and who is:

(1) an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5); or

(2) a member of the Minnesota Music Teachers Association.

(d) "Qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

(e) "Qualifying instructional fees or tuition" means fees or tuition for instruction by a qualified instructor outside the regular school day or school year, and that does not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, including:

(1) driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity; or

(2) tutoring or summer camps that:

(i) are in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year;

(ii) assist a dependent to improve knowledge of core curriculum areas; or

(iii) expand knowledge and skills under:

(A) the required academic standards under section 120B.021, subdivision 1; and

(B) the world languages standards under section 120B.022, subdivision 1.

Subd. 2. **Limitations.** (a) For claimants with adjusted gross income not greater than $70,000, the maximum credit allowed for a family is $1,500 multiplied by the number of qualifying children in kindergarten through grade 12 in the family. The maximum credit for families with one qualifying child in kindergarten through grade 12 is reduced by $1 for each $4 of adjusted gross income over $70,000, and the maximum credit for families with two or more qualifying children in kindergarten through grade 12 is reduced by $2 for each $4 of adjusted gross income over $70,000, but in no case is the credit less than zero.

(b) In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(c) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

Subd. 2a. MS 2022 [Repealed by amendment, 2023 c 64 art 1 s 37]

Subd. 3. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 4. **Credit to be refundable.** If the amount of credit that the claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 6. **Inflation adjustment.** The commissioner shall annually adjust the adjusted gross income amounts in subdivision 2, as provided in section 270C.22. The statutory year is taxable year 2023.

History: *1Sp1997 c 4 art 13 s 3; 1998 c 397 art 11 s 3; 1998 c 398 art 6 s 32; 1999 c 243 art 2 s 13,14; 1Sp2001 c 5 art 9 s 11; 2005 c 151 art 6 s 17; 1Sp2005 c 3 art 3 s 10; 2016 c 158 art 3 s 16; 1Sp2017 c 1 art 1 s 21,22; 2019 c 50 art 1 s 91; 2023 c 64 art 1 s 37*

290.0675 MARRIAGE PENALTY CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

(1) earned income as defined in section 290.01, subdivision 33;

(2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year minus one-half the amount of the standard deduction under section 290.0123, subdivision 1, clause (1).

Subd. 2. **Credit allowed.** A married couple filing a joint return is allowed a credit against the tax imposed under section 290.06.

Subd. 3. **Credit amount.** The credit amount is the difference between the tax on the couple's joint Minnesota taxable income under the rates and income levels in section 290.06, subdivision 2c, paragraph (a), as adjusted for the taxable year by section 290.06, subdivision 2d, and the sum of the tax under the rates and income levels of section 290.06, subdivision 2c, paragraph (b), as adjusted for the taxable year by section 290.06, subdivision 2d, on the earned income of the lesser-earning spouse, and the tax under the rates and income levels of section 290.06, subdivision 2c, paragraph (b), as adjusted for the taxable year by section 290.06, subdivision 2d, on the couple's joint Minnesota taxable income, minus the earned income of the lesser-earning spouse.

The commissioner of revenue shall prepare and make available to taxpayers a comprehensive table showing the credit under this section at brackets of earnings of the lesser-earning spouse and joint taxable income. The brackets of earnings shall not be more than $2,000.

Subd. 4. **Nonresidents and part-year residents.** For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 5. MS 2002 [Repealed, 2003 c 127 art 3 s 24]

History: *1999 c 243 art 2 s 15; 2000 c 490 art 4 s 22-24; 1Sp2001 c 5 art 7 s 40,41; 2002 c 377 art 10 s 12,13; 2003 c 127 art 3 s 12,13; 1Sp2005 c 3 art 4 s 14; 1Sp2005 c 7 s 39; 2006 c 259 art 2 s 6; 1Sp2011 c 7 art 2 s 7; 2014 c 150 art 1 s 20; 2016 c 158 art 3 s 17; 1Sp2019 c 6 art 1 s 42; 2023 c 1 s 17*

290.0676 [Renumbered 270C.131]

290.0677 MILITARY SERVICE CREDITS.

Subdivision 1. **Credit allowed; current military service.** (a) An individual is allowed a credit against the tax due under this chapter equal to $120 for each month or portion thereof that the individual was in active military service in a designated area after December 31, 2008, while a Minnesota domiciliary.

(b) An individual may claim the credit for the calendar year in which the active service was performed.

Subd. 1a. **Credit allowed; past military service.** (a) A qualified individual is allowed a credit against the tax imposed under this chapter for past military service. The credit equals $750. The credit allowed under this subdivision is reduced by ten percent of adjusted gross income in excess of $30,000, but in no case is the credit less than zero.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Designated area" means a:

(1) combat zone designated by Executive Order from the President of the United States;

(2) qualified hazardous duty area, designated in Public Law; or

(3) location certified by the U. S. Department of Defense as eligible for combat zone tax benefits due to the location's direct support of military operations.

(c) "Active military service" means active duty service in any of the United States armed forces, the National Guard, or reserves.

(d) "Qualified individual" means an individual who has:

(1) met one of the following criteria:

(i) has served at least 20 years in the military;

(ii) has a service-connected disability rating of 100 percent for a total and permanent disability; or

(iii) has been determined by the military to be eligible for compensation from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 12733; and

(2) separated from military service before the end of the taxable year.

(e) "Adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

Subd. 3. **Credit refundable.** If the amount of credit which the individual is eligible to receive under subdivision 1 exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

History: *2006 c 259 art 1 s 2; 2008 c 154 art 3 s 5; 2008 c 366 art 4 s 8-11; 2013 c 143 art 6 s 13; 2019 c 50 art 1 s 92; 2023 c 25 s 157,158; 2023 c 64 art 1 s 38*

290.0678 MS 2010 [Repealed, 1Sp2011 c 7 art 1 s 13]

290.0679 MS 2024 [Repealed, 1Sp2025 c 13 art 1 s 20]

NOTE: This section was repealed effective for assignments after December 31, 2025. Laws 2025, First Special Session chapter 13, article 1, section 20, the effective date.

290.068 CREDIT FOR INCREASING RESEARCH ACTIVITIES.

Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders in a corporation treated as an S corporation under section 290.9725 are allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ten percent of the first $2,000,000 of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base amount; and

(b) four percent on all of such excess expenses over $2,000,000.

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts and aggregate gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in paragraphs (a) and (b) shall apply.

(d) "Liability for tax" means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, on all of the entities required to be included on the combined report of the unitary business.

Subd. 3. **Limitation; carryover.** (a) The credit for taxable years beginning before January 1, 2025, shall not exceed the liability for tax.

(b) If the amount of the credit allowed for the taxable year exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

(c) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph (b) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(d) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraphs (a) to (c), including amounts allocated to other members of the unitary group, and is not refunded under subdivision 3a, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

Subd. 3a. **Credit to be partially refundable.** (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2024, exceeds the limitations in subdivision 3, paragraphs (a) to (c), including after the credit amounts are allocated to other members of the unitary group, the taxpayer may elect to receive a refund.

(b) The refundable amount allowed under paragraph (a) is equal to the refundability rate calculated under subdivision 3b multiplied by the excess, if any, of the allowed credit amount under subdivision 1 for the current taxable year remaining after the liability for tax has been reduced to zero.

(c) Any amount not refunded under paragraph (a) is allowed as a carryover under subdivision 3, paragraph (d).

(d) An election under paragraph (a) is irrevocable for the taxable year.

(e) This subdivision applies only to an allowed credit claimed on a tax return filed on or before the due date under section 289A.18 or the extended due date under section 289A.19.

Subd. 3b. **Determination of refundability rate.** (a) For purposes of this section, the refundability rate equals:

(1) 19.2 percent for taxable years beginning after December 31, 2024, and before January 1, 2026; and

(2) 25 percent for taxable years beginning after December 31, 2025, and before January 1, 2028.

(b) For taxable years beginning after December 31, 2027, the refundability rate equals the lesser of 25 percent or the rate determined under paragraph (c).

(c) By December 15, 2027, and each year thereafter, the commissioner must determine the refundability rate for the immediately succeeding taxable year based on the most recent November forecast required under section 16A.103. If the commissioner determines that the total amount of refunds paid under this section will exceed $25,000,000 for the immediately succeeding taxable year, the commissioner must adjust the refundability rate so the total amount of projected refunds paid in the immediately succeeding taxable year

will approximate $25,000,000 or less. The percentage must be rounded to the nearest whole percentage point. The commissioner must publish the refundability rate on the department's external website.

Subd. 4. **Partnerships and S corporations.** In the case of partnerships the credit shall be allocated in the same manner provided by section 41(f)(2) of the Internal Revenue Code.

For shareholders in S corporations the credit must be allocated in the same manner as provided by section 1366(a) of the Internal Revenue Code.

Subd. 5. **Adjustments; acquisitions and dispositions.** If a taxpayer acquires or disposes of the major portion of a trade or business or the major portion of a separate unit of a trade or business in a transaction with another taxpayer, the taxpayer's qualified research expenses and base amount are adjusted in the same manner provided by section 41(f)(3) of the Internal Revenue Code.

Subd. 6. MS 1990 [Repealed, 1991 c 291 art 7 s 26]

Subd. 6a. MS 2022 [Repealed, 2023 c 25 s 190]

Subd. 7. MS 2022 [Repealed, 2023 c 25 s 190]

Subd. 8. **Appropriation.** An amount sufficient to pay the refunds required under this section is appropriated to the commissioner from the general fund.

History: *3Sp1981 c 2 art 3 s 6; 1982 c 523 art 1 s 70; art 9 s 1; 1983 c 15 s 8; 1983 c 207 s 8,9,43; 1983 c 342 art 1 s 43; art 8 s 12; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 1 s 21-23; art 21 s 5-7; 1Sp1986 c 1 art 3 s 4; 1987 c 268 art 1 s 39-44; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1989 c 304 s 137; 1990 c 604 art 2 s 6,16; 1991 c 291 art 6 s 46; art 7 s 11-13; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 14,24; 1997 c 231 art 6 s 13; 2008 c 366 art 12 s 3; 2010 c 216 s 10; 2013 c 143 art 6 s 14,15; 1Sp2017 c 1 art 1 s 23; art 13 s 10; 2018 c 182 art 1 s 74; 2023 c 25 s 159; 1Sp2025 c 13 art 1 s 10-13*

290.0681 CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Account" means the historic credit administration account in the special revenue fund.

(c) "Office" means the State Historic Preservation Office of the Department of Administration.

(d) "Project" means rehabilitation of a certified historic structure, as defined in section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a federal credit.

(e) "Federal credit" means the credit allowed under section 47(a) of the Internal Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year that the project is placed in service.

(f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

(g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the Internal Revenue Code.

Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed against the tax imposed under this chapter equal to not more than 100 percent of the credit allowed under section 47(a) of the Internal Revenue Code for a project. The credit is payable in five equal yearly installments beginning with the year the project is placed in service. To qualify for the credit:

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

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

(b) The commissioner of administration may pay a grant in lieu of the credit. The grant equals 90 percent of the credit that would be allowed for the project. The grant is payable in five equal yearly installments beginning with the year the project is placed in service.

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

Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section, the developer of a project must apply to the office before the rehabilitation begins. The application must contain the information and be in the form prescribed by the office. The office may collect a fee for application of up to 0.5 percent of qualified rehabilitation expenditures, up to $40,000, based on estimated qualified rehabilitation expenditures, to offset costs associated with personnel and administrative expenses related to administering the credit and preparing the economic impact report in subdivision 9. Application fees are deposited in the account. The application must indicate if the application is for a credit or a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying for the credit or the recipient of the grant.

(b) Upon approving an application for credit, the office shall issue allocation certificates that:

(1) verify eligibility for the credit or grant;

(2) state the amount of credit or grant anticipated with the project, with the credit amount equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated in the application;

(3) state that the credit or grant allowed may increase or decrease if the federal credit the project receives at the time it is placed in service is different than the amount anticipated at the time the allocation certificate is issued; and

(4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or grant recipient is entitled to receive one-fifth of the total amount of either the credit or the grant at the time the project is placed in service, provided that date is within three calendar years following the issuance of the allocation certificate.

(c) The office, in consultation with the commissioner, shall determine if the project is eligible for a credit or a grant under this section and must notify the developer in writing of its determination. Eligibility for the credit is subject to review and audit by the commissioner.

(d) The federal credit recapture and repayment requirements under section 50 of the Internal Revenue Code do not apply to the credit allowed under this section.

(e) Any decision of the office under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 45 days of the date of written notification by the office.

Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the office has issued an allocation certificate must notify the office when the project is placed in service. Upon verifying that the project has been placed in service, and was allowed a federal credit, the office must issue a credit certificate

to the taxpayer designated in the application or must issue a grant to the recipient designated in the application. The credit certificate must state the amount of the credit.

(2) The credit amount equals the federal credit allowed for the project.

(3) The grant amount equals 90 percent of the federal credit allowed for the project.

(b) The recipient of a credit certificate may assign the certificate to another taxpayer before the first one-fifth payment is claimed, which is then allowed the credit under this section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

(c) Credits passed through to partners, members, shareholders, or owners pursuant to subdivision 5 are not an assignment of a credit certificate under this subdivision.

(d) A grant agreement between the office and the recipient of a grant may allow the grant to be issued to another individual or entity.

Subd. 5. **Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

Subd. 6. **Credit refundable.** If the amount of credit that the taxpayer is eligible to receive under this section exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the taxpayer.

Subd. 7. **Appropriations.** (a) An amount sufficient to pay the refunds authorized under this section is appropriated to the commissioner from the general fund.

(b) An amount sufficient to pay the grants authorized under this section is appropriated to the commissioner of administration from the general fund.

(c) Amounts in the account are appropriated to the commissioner of administration for costs associated with personnel and administrative expenses related to administering the credit for historic structure rehabilitation in this section, for refunding application fees under subdivision 3, and for costs associated with preparing the determination of economic impact report required in subdivision 9.

Subd. 8. **Manner of claiming.** (a) The commissioner shall prescribe the manner in which the credit may be issued or claimed. This may include allowing the credit only as a separately processed claim for refund.

(b) The office shall prescribe the manner in which grants are paid.

Subd. 9. **Report; determination of economic impact.** The commissioner of administration must annually determine the economic impact to the state from the rehabilitation of property for which credits or grants are provided under this section and provide a written report on the impact to the chairs and ranking minority members of the legislative committees on taxes of the senate and house of representatives, in compliance with sections 3.195 and 3.197.

Subd. 10. **Sunset.** This section expires after fiscal year 2030, except that the office's authority to issue credit certificates under subdivision 4 based on allocation certificates that were issued before fiscal year

2031 remains in effect through 2034, and the reporting requirements in subdivision 9 remain in effect through the year following the year in which all allocation certificates have either been canceled or resulted in issuance of credit certificates, or 2035, whichever is earlier.

History: *2010 c 216 s 11; 2013 c 143 art 6 s 16-20; 1Sp2017 c 4 art 2 s 37-40; 1Sp2019 c 6 art 1 s 43-46; 1Sp2021 c 14 art 1 s 11; 2023 c 64 art 1 s 39,51*

290.0682 STUDENT LOAN CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Adjusted gross income" means federal adjusted gross income as defined in section 62 of the Internal Revenue Code.

(c) "Earned income" has the meaning given in section 290.0675, subdivision 1, paragraph (b).

(d) "Eligible individual" means a resident individual with one or more qualified education loans related to an undergraduate or graduate degree program at a postsecondary educational institution.

(e) "Eligible loan payments" means the amount the eligible individual paid during the taxable year in principal and interest on qualified education loans.

(f) "Postsecondary educational institution" means a public or nonprofit postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a public or nonprofit postsecondary institution participating in the federal Pell Grant program under title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

(g) "Qualified education loan" has the meaning given in section 221 of the Internal Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual.

Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax due under this chapter.

(b) The credit for an eligible individual equals the least of:

(1) eligible loan payments minus ten percent of an amount equal to adjusted gross income in excess of $10,000, but in no case less than zero;

(2) the earned income for the taxable year of the eligible individual, if any;

(3) the sum of:

(i) the interest portion of eligible loan payments made during the taxable year; and

(ii) ten percent of the original loan amount of all qualified education loans of the eligible individual; or

(4) $500.

(c) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(d) In the case of a married couple, each spouse is eligible for the credit in this section. For the purposes of paragraph (b), for married taxpayers filing joint returns, each spouse's adjusted gross income equals the

spouse's percentage share of the couple's earned income, multiplied by the couple's combined adjusted gross income.

History: *1Sp2017 c 1 art 1 s 24; 1Sp2021 c 14 art 1 s 12*

290.0683 MINNESOTA HOUSING TAX CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Agency" means the Minnesota Housing Finance Agency.

(c) "Minnesota housing tax credit contribution account" or "account" means the account established in section 462A.40.

(d) "Qualified project" means a project that qualifies for a grant or loan under section 462A.40.

(e) "Taxpayer" means a taxpayer as defined in section 290.01, subdivision 6, or a taxpayer as defined in section 297I.01, subdivision 16.

Subd. 2. **Credit allowed.** (a) A taxpayer is allowed a credit against the tax imposed under this chapter or the premiums tax under chapter 297I for contributions of no less than $1,000 and no more than $2,000,000 to the Minnesota housing tax credit contribution account. The credit equals 85 percent of the amount the taxpayer contributed to the account during the taxable year.

(b) The credit may be claimed only after certification by the agency as provided in subdivision 3.

(c) To receive the credit, a taxpayer must claim the credit in the manner prescribed by the commissioner and file with the return a copy of the credit certificate issued by the agency under subdivision 3, paragraph (c).

(d) The taxpayer must claim the credit for the taxable year in which the contribution payment is received by the account.

(e) If the amount of the credit under this section exceeds the taxpayer's liability for tax under this chapter, the excess is a credit carryover to each of the ten succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less any credit for the current taxable year.

(f) The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

(g) For nonresidents and part-year residents, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 3. **Allocation.** (a) To qualify for the credit, a taxpayer must contribute to the Minnesota housing tax credit contribution account. A taxpayer may indicate that a contribution is intended for a specific qualified project. A taxpayer is prohibited from contributing to certain projects as provided in section 462A.40, subdivision 3.

(b) The aggregate amount of tax credits allowed to all eligible contributors is limited to $9,900,000 annually.

(c) Within 30 days after a taxpayer contributes to the account, the agency must file with the contributing taxpayer a credit certificate statement or return any amounts to the taxpayer as provided in this paragraph. The agency must send a copy of the credit certificate to the commissioner. If there are insufficient credits to match the contribution, the agency must not issue a credit certificate for the amount of the contribution for which there are insufficient credits, and must return that amount to the taxpayer before issuing any credit certificate.

(d) The credit certificate must state the dollar amount of the contribution made by the taxpayer and the date the payment was received by the account, and indicate if the contribution was intended for a specific qualified project.

Subd. 4. **Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed document, as of the last day of the taxable year.

Subd. 5. **Recapture.** (a) Credits claimed under this section are not subject to recapture.

(b) If a grant or loan made under section 462A.40 is canceled or recaptured, the grant or loan is returned to the account. The agency is not required to return contributions to taxpayers who indicated that a contribution was intended for a project for which the loan or grant is recaptured or canceled.

Subd. 6. **Audit powers.** Notwithstanding the credit certificate issued by the commissioner of the Minnesota Housing Finance Agency under subdivision 3, the commissioner may use any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

Subd. 7. **Sunset.** This section expires after December 31, 2028, except that the agency's authority to issue credit certificates under subdivision 3 based on contributions received before January 1, 2029, and allocation certificates that were issued before February 1, 2029, remains in effect through January 1, 2030. The reporting requirements in section 462A.40, subdivision 5, remain in effect through the year following the year in which all allocation certificates have either been canceled or resulted in issuance of credit certificates, or January 1, 2031, whichever is earlier. The expiration of this section does not affect the commissioner's authority to audit or power of examination and assessment for credits claimed under this section.

Subd. 8. **Appropriation.** Beginning in fiscal year 2023, $100,000 is annually appropriated from the general fund to the commissioner of revenue for a transfer to the Minnesota Housing Finance Agency for costs associated with personnel and administrative expenses related to administering the credit. This subdivision expires on June 30, 2028.

History: *1Sp2021 c 14 art 1 s 13*

290.0684 SECTION 529 PLAN CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Contribution" means the amount contributed to one or more qualified accounts except that the amount:

(1) is reduced by any withdrawals or distributions, other than transfers or rollovers to another qualified account, from a qualified account during the taxable year; and

(2) excludes the amount of any transfers or rollovers from a qualified account made during the taxable year.

(c) "Adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code.

(d) "Qualified account" means an account qualifying under section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

(b) The amount of the credit allowed equals 50 percent of contributions for the taxable year. The maximum credit is $500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of $78,340.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of $78,340, but not more than $141,010, the maximum credit is reduced by one percent of adjusted gross income in excess of $78,340 until the maximum credit amount equals $250; and

(2) for married couples with adjusted gross income in excess of $141,010, the maximum credit is $250, reduced by one percent of adjusted gross income in excess of $141,010.

(e) The commissioner shall annually adjust the income thresholds in paragraphs (c) and (d) as provided in section 270C.22. The statutory year is taxable year 2019.

Subd. 3. **Allocation.** For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

History: *1Sp2017 c 1 art 1 s 25; 2019 c 50 art 1 s 93; 1Sp2019 c 6 art 1 s 47,48,73; art 2 s 19*

290.0685 CREDIT FOR PARENTS OF STILLBORN CHILDREN.

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to $2,000 for each birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151. The credit under this section is allowed only in the taxable year in which the stillbirth occurred and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code.

(b) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 2. **Credit refundable.** If the amount of credit that an individual is allowed under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 3. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

History: *2016 c 189 art 14 s 1*

290.0686 CREDIT FOR ATTAINING MASTER'S DEGREE IN TEACHER'S LICENSURE FIELD.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Master's degree program" means a graduate-level program at an accredited university leading to a master of arts or science degree in a core content area directly related to a qualified teacher's licensure field. The master's degree program may not include pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary school teacher must pursue and complete a master's degree program in a core content area in which the teacher provides direct classroom instruction.

(c) "Qualified teacher" means a person who:

(1) holds a teaching license issued by the licensing division in the Department of Education on behalf of the Professional Educator Licensing and Standards Board both when the teacher begins the master's degree program and when the teacher completes the master's degree program;

(2) began a master's degree program after June 30, 2017; and

(3) completes the master's degree program during the taxable year.

(d) "Core content area" means the academic subject of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, or geography.

Subd. 2. **Credit allowed.** (a) An individual who is a qualified teacher is allowed a credit against the tax imposed under this chapter. The credit equals the lesser of $2,500 or the amount the individual paid for tuition, fees, books, and instructional materials necessary to completing the master's degree program and for which the individual did not receive reimbursement from an employer or scholarship.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) A qualified teacher may claim the credit in this section only one time for each master's degree program completed in a core content area.

History: *1Sp2017 c 1 art 1 s 26; 1Sp2017 c 5 art 12 s 22*

290.0688 CREDIT FOR SUSTAINABLE AVIATION FUEL.

Subdivision 1. **Definitions.** For purposes of this section, the terms defined in section 41A.30, subdivision 1, have the meanings given, except that "commissioner" means the commissioner of revenue.

Subd. 2. **Credit allowed.** A qualifying taxpayer is allowed a credit against the tax imposed by this chapter for sustainable aviation fuel sold for use as fuel in an aircraft departing from an airport in Minnesota. The credit equals up to the amount and applies to the taxable year indicated on the credit certificate issued to the qualifying taxpayer under section 41A.30.

Subd. 3. **Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners,

members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

Subd. 4. **Credit refundable.** If the amount of credit that a qualifying taxpayer is allowed under this section exceeds the claimant's tax liability under this chapter, the commissioner must refund the excess to the claimant.

Subd. 5. **Audit.** Notwithstanding the credit certificate issued by the commissioner of agriculture under section 41A.30, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 7. **Expiration.** This section expires at the same time and on the same terms as section 41A.30, subdivision 7, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this section.

History: *2023 c 68 art 3 s 21*

NOTE: This section, as added by Laws 2023, chapter 68, article 3, section 21, is effective for taxable years beginning after December 31, 2023, for sustainable aviation fuel sold after June 30, 2024, and before July 1, 2030. Laws 2023, chapter 68, article 3, section 21, the effective date.

290.069 Subdivision 1. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 2. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 2a. MS 1990 [Repealed, 1991 c 291 art 7 s 26]

Subd. 3. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 4. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 4a. MS 1990 [Repealed, 1991 c 291 art 7 s 26]

Subd. 4b. MS 1990 [Repealed, 1991 c 291 art 7 s 26]

Subd. 5. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 6. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 7. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.0691 MS 1992 [Repealed, 1992 c 511 art 9 s 33]

290.0692 SMALL BUSINESS INVESTMENT CREDIT.

Subdivision 1. **Definitions.** For purposes of this section, terms defined in section 116J.8737 have the meaning given in that section.

Subd. 2. **Credit allowed.** A qualified investor is allowed a credit against the tax imposed under this chapter for qualified investments made in a qualified small business for the taxable year. The credit equals

the amount and applies to the taxable year indicated on the certificate provided to the qualified investor under section 116J.8737, but the maximum credit in any taxable year is $250,000 for a married couple filing a joint return, and $125,000 for all other claimants.

Subd. 3. **Proportional credits.** Each pass-through entity must provide each investor a statement indicating the investor's share of the credit amount certified to the pass-through entity based on its share of the pass-through entity's capital assets at the time of the qualified investment.

Subd. 4. **Credit refundable.** If the amount of the credit under this section for any taxable year exceeds the claimant's liability for tax under this chapter, the commissioner shall refund the excess to the claimant. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

Subd. 5. **Audit powers.** Notwithstanding the certification eligibility issued by the commissioner of employment and economic development under section 116J.8737, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

Subd. 6. **Sunset.** This section expires at the same time and on the same terms as section 116J.8737, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this section.

History: *2010 c 216 s 12; 1Sp2017 c 1 art 1 s 27; 2023 c 64 art 1 s 51*

290.0693 RENTER'S CREDIT.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given.

(b) "Dependent" means any individual who is considered a dependent under sections 151 and 152 of the Internal Revenue Code and was claimed by the taxpayer as a dependent.

(c) "Disability" has the meaning given in section 290A.03, subdivision 10.

(d) "Exemption amount" means the exemption amount under section 290.0121, subdivision 1, paragraph (b).

(e) "Gross rent" means rent paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. The gross rent of a resident of a nursing home or intermediate care facility is $600 per month. The gross rent of a resident of an adult foster care home is $930 per month. The commissioner shall annually adjust the amounts in this paragraph as provided in section 270C.22. The statutory year is 2023. If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this section.

(f) "Homestead" has the meaning given in section 290A.03, subdivision 6.

(g) "Household" has the meaning given in section 290A.03, subdivision 4.

(h) "Household income" means all income received by all persons of a household in a taxable year while members of the household, other than income of a dependent.

(i) "Income" means adjusted gross income, minus:

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

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

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

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

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

(6) if the taxpayer or taxpayer's spouse had a disability or attained the age of 65 on or before the close of the taxable year, the exemption amount.

(j) "Rent constituting property taxes" means 17 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any taxable year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the taxable year, and which rent constitutes the basis, in the succeeding taxable year of a claim for a credit under this section by the claimant. If an individual occupies a homestead with another person or persons not related to the individual as the individual's spouse or as dependents, and the other person or persons are residing at the homestead under a rental or lease agreement with the individual, the amount of rent constituting property tax for the individual equals that portion not covered by the rental agreement.

Subd. 2. **Credit allowed; refundable.** (a) An individual is allowed a credit against the tax due under this chapter equal to the amount that rent constituting property taxes exceeds the percentage of the household income of the claimant specified in subdivision 3 in the taxable year in which the rent was paid as specified in that subdivision.

(b) If the amount of credit which a taxpayer is eligible to receive under this section exceeds the taxpayer's liability for tax under this chapter, the commissioner shall refund the excess to the taxpayer.

Subd. 3. **Renters.** (a) A taxpayer whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent paid by claimant of the remaining amount of rent constituting property taxes. The credit under subdivision 2 equals the amount of rent constituting property taxes that remain, up to the maximum credit amount shown below.

Household Income	Percent of Income	Percent paid by claimant	Maximum Credit
$0 to 6,479	1.0 percent	5 percent	$ 2,640
6,480 to 8,609	1.0 percent	10 percent	$ 2,640
8,610 to 10,759	1.1 percent	10 percent	$ 2,570
10,760 to 15,089	1.2 percent	10 percent	$ 2,510
15,090 to 19,399	1.3 percent	15 percent	$ 2,430
19,400 to 21,539	1.4 percent	15 percent	$ 2,370
21,540 to 23,679	1.4 percent	20 percent	$ 2,310

23,680 to 28,009	1.5 percent	20 percent	$ 2,240
28,010 to 30,159	1.6 percent	20 percent	$ 2,180
30,160 to 32,309	1.7 percent	25 percent	$ 2,180
32,310 to 36,629	1.8 percent	25 percent	$ 2,180
36,630 to 38,769	1.9 percent	30 percent	$ 2,180
38,770 to 45,229	2.0 percent	30 percent	$ 2,180
45,230 to 51,689	2.0 percent	35 percent	$ 2,180
51,690 to 60,319	2.0 percent	40 percent	$ 2,180
60,320 to 62,459	2.0 percent	45 percent	$ 1,980
62,460 to 64,619	2.0 percent	45 percent	$ 1,780
64,620 to 66,789	2.0 percent	45 percent	$ 1,510
66,790 to 68,929	2.0 percent	50 percent	$ 1,320
68,930 to 71,089	2.0 percent	50 percent	$ 1,190
71,090 to 73,239	2.0 percent	50 percent	$ 660
73,240 to 75,389	2.0 percent	50 percent	$ 260

The credit is the amount calculated under this subdivision. No credit is allowed if the taxpayer's household income is $75,389 or more.

(b) The commissioner must annually adjust the dollar amounts of the income thresholds and the maximum refunds in paragraph (a), as provided in section 270C.22. The statutory year is 2024.

(c) The commissioner shall construct and make available to taxpayers a comprehensive table showing the rent constituting property taxes to be paid and refund allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums, and other provisions specified in paragraph (a), except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner.

Subd. 4. **Owner or managing agent to furnish rent certificate.** (a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of four years. The duplicate or other record must be made available to the commissioner upon request.

(b) The owner or managing agent must furnish to the commissioner on or before January 31 a copy of each certificate of rent paid furnished to a renter for rent paid in the prior year. The commissioner shall

prescribe the content, format, and manner of the form pursuant to section 270C.30. The commissioner may require the Social Security number, individual taxpayer identification number, federal employer identification number, or Minnesota taxpayer identification number of the owner or managing agent who is required to furnish a certificate of rent paid under this paragraph. Before implementation, the commissioner, after consulting with representatives of owners or managing agents, shall develop an implementation and administration plan for the requirements of this paragraph that attempts to minimize financial burdens, administration and compliance costs, and takes into consideration existing systems of owners and managing agents.

(c) An owner who fails to furnish the certificate of rent paid to the renter or to the commissioner as required under this section is subject to the penalty imposed under section 289A.60, subdivision 12.

Subd. 5. **Eligibility; residency.** (a) A taxpayer is eligible for the credit under this section if the taxpayer is an individual, other than a dependent, as defined under sections 151 and 152 of the Internal Revenue Code, disregarding section 152(b)(3) of the Internal Revenue Code, who filed for a credit and who was a resident of this state during the taxable year for which the credit was claimed.

(b) In the case of a credit for rent constituting property taxes of a part-year Minnesota resident, the household income and rent constituting property taxes reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid that may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation.

(c) When two individuals of a household are able to meet the qualifications to claim a credit under this section, the individuals may determine among them as to which individual may claim the credit. If the individuals are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final.

(d) To claim a credit under this section, the taxpayer must have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the taxable year for which the taxpayer claimed the credit.

Subd. 6. **Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support payments.** (a) A taxpayer must not claim a credit under this section if the taxpayer is a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

(b) If only a portion of the rent constituting property taxes is paid by these programs, the resident is eligible for a credit, but the credit calculated must be multiplied by a fraction, the numerator of which is adjusted gross income, and the denominator of which is adjusted gross income, plus vendor payments under the medical assistance program, to determine the allowable credit.

(c) Notwithstanding paragraphs (a) and (b), if the taxpayer was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the taxable year covered by the claim, the taxpayer may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and may use only that amount of rent constituting property taxes or property taxes

payable relating to that portion of the year when the taxpayer was not in the facility. The taxpayer's household income is the income for the entire taxable year covered by the claim.

Subd. 7. **Credit for unmarried taxpayers residing in the same household.** If a homestead is occupied by two or more renters who are not married to each other, the rent shall be deemed to be paid equally by each renter, and separate claims shall be filed by each renter. The income of each renter shall be each renter's household income for purposes of computing the amount of credit to be allowed.

Subd. 8. **One claimant per household.** Only one taxpayer per household per year is entitled to claim a credit under this section. In the case of a married couple filing a joint return, the couple may claim a credit under this section based on the total amount of both spouses' gross rent. In the case of a married taxpayer filing a separate return, only one spouse may claim the credit under this section. The credit amount for the spouse that claims the credit must be calculated based on household income and both spouses' share of the gross rent and not solely on the income of the spouse.

Subd. 9. **Proof of claim.** (a) Every taxpayer claiming a credit under this section shall supply to the commissioner of revenue, in support of the claim, proof of eligibility under this section, including but not limited to amount of rent paid, name and address of owner or managing agent of property rented, changes in household membership, and household income.

(b) Taxpayers with a disability shall submit proof of disability in the form and manner as the commissioner prescribes. The department may require examination and certification by the taxpayer's physician or by a physician designated by the commissioner. The cost of any examination shall be borne by the taxpayer, unless the examination proves the disability, in which case the cost of the examination shall be borne by the commissioner.

(c) A determination of disability of a taxpayer by the Social Security Administration under Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

Subd. 10. **No relief allowed in certain cases.** No claim for a credit under this section shall be allowed if the commissioner determines that the claimant received tenancy to the homestead primarily for the purpose of receiving a credit under this section and not for bona fide residence purposes.

Subd. 11. **Appropriation.** The amount necessary to pay the refunds under this section is appropriated from the general fund to the commissioner.

History: *2023 c 64 art 7 s 9; 1Sp2025 c 13 art 8 s 14; art 9 s 5-7*

290.0694 CREDIT FOR SALES OF MANUFACTURED HOME PARKS TO COOPERATIVES.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions have the meanings given.

(b) "Qualified property" means a manufactured home park in Minnesota classified as 4c(5)(i) or 4c(5)(iii) under section 273.13, subdivision 25, paragraph (d).

(c) "Qualified seller" means a taxpayer, as defined under section 290.01, subdivision 6, who sells qualified property to: (1) a corporation or association organized under chapter 308A, 308B, or 308C, where each person who owns a share or shares in the corporation or association would be entitled to occupy a lot within the qualified property after the sale; (2) a charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, whose members hold residential participation warrants entitling the members to occupy the units in

the manufactured home park; or (3) a nonprofit or a representative acting on behalf of residents, as defined by section 327C.015, subdivision 13, who purchases the property on behalf of residents who intend to form a corporation or association as described in clause (1) or (2).

[See Note.]

Subd. 2. **Credit allowed; carryforward.** (a) A qualified seller is allowed a credit against the tax imposed under this chapter. The credit equals five percent of the amount of the sale price of the qualified property.

(b) If the amount of the credit under this section exceeds the taxpayer's liability for tax under this chapter, the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less any credit for the current taxable year.

(c) For residents and part-year residents, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 3. **Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed document, as of the last day of the taxable year.

Subd. 4. **Sunset.** This section expires January 1, 2031, for taxable years beginning after December 31, 2030.

History: *2023 c 64 art 1 s 40; 2024 c 96 art 2 s 6,13; 2025 c 32 art 4 s 13; 2026 c 61 s 41*

NOTE: The amendment to subdivision 1 by Laws 2024, chapter 96, article 2, section 6, is effective August 1, 2027. Laws 2024, chapter 96, article 2, section 13, as amended by Laws 2025, chapter 32, article 4, section 13, and Laws 2026, chapter 61, section 41.

290.0695 SHORT LINE RAILROAD INFRASTRUCTURE MODERNIZATION CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Credit certificate" means the certificate issued by the commissioner of transportation under subdivision 3, paragraph (a).

(c) "Eligible taxpayer" means any railroad that is classified by the United States Surface Transportation Board as a Class II or Class III railroad.

(d) "Eligible transferee" means any taxpayer subject to tax under this chapter or chapter 297I.

(e) "Qualified railroad reconstruction or replacement expenditures" means gross expenditures in the taxable year for maintenance, reconstruction, or replacement of railroad infrastructure, including track, roadbed, bridges, industrial leads and sidings, and track-related structures owned or leased by a Class II or Class III railroad in Minnesota as of January 1, 2021. Qualified railroad reconstruction or replacement expenditures also includes new construction of industrial leads, switches, spurs and sidings and extensions of existing sidings in Minnesota by a Class II or Class III railroad.

(f) "Transfer credit certificate" means the certificate issued to a transferee by the commissioner under subdivision 3, paragraph (d).

Subd. 2. **Credit allowed; limitation; carryover.** (a) An eligible taxpayer is allowed a credit against tax due under this chapter equal to 50 percent of the qualified railroad reconstruction or replacement expenditures made by an eligible taxpayer within this state during the taxable year for which the credit is claimed.

(b) The credit allowed under paragraph (a) for any taxable year must not exceed the product of:

(1) $3,000; multiplied by

(2) the number of miles of railroad track owned or leased by the eligible taxpayer within this state as of the close of the taxable year for which the taxpayer made qualified railroad reconstruction or replacement expenditures for which the credit is claimed.

(c) If the amount of the credit determined under this section for any taxable year exceeds the liability for tax under this chapter, the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph must not exceed the taxpayer's liability for tax less the credit for the taxable year.

(d) An eligible taxpayer claiming a credit under this section may not also claim the credit under section 297I.20, subdivision 6, for the same qualified railroad reconstruction or replacement expenditures.

Subd. 3. **Credit certificates; written agreement required; transferability.** (a) To qualify for a credit under this section, an eligible taxpayer must apply to the commissioner of transportation for a credit certificate. The application for the credit certificate must be in the form and manner prescribed by the commissioner of transportation, in consultation with the commissioner. If the application is approved, the commissioner of transportation must issue the credit certificate to the eligible taxpayer within 30 days of receipt of the application. The credit certificate must state the number of miles of qualified railroad reconstruction or replacement expenditures in the taxable year and the total amount of credit calculated under subdivision 2, paragraph (a). The commissioner of transportation must provide a copy of the credit certificate to the commissioner. The commissioner of transportation must not issue more than one credit certificate to an eligible taxpayer in a taxable year.

(b) By written agreement, an eligible taxpayer may transfer the credit allowed under this section to an eligible transferee as follows:

(1) any amount of the credit allowed that is stated in the credit certificate before any of the credit is claimed; or

(2) the entire amount of the credit carryover in each of the five succeeding taxable years.

(c) The eligible taxpayer and the eligible transferee must jointly file a copy of the written transfer agreement with the commissioner within 30 days of the transfer. The written agreement must contain the name, address, and taxpayer identification number of the parties to the transfer; the taxable year the eligible taxpayer incurred the qualified expenditures; the amount of credit being transferred; and the taxable year or years for which the transferred credit may be claimed.

(d) The commissioner must issue a transfer credit certificate to the transferee within 30 days of the joint filing of a copy of the written transfer agreement with the commissioner.

(e) An eligible taxpayer must not transfer a credit to an eligible transferee more than once in a taxable year.

Subd. 4. **Partnerships; multiple owners.** Credits granted or transferred to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

Subd. 5. **Allocation for nonresidents and part-year residents.** For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 6. **Sunset.** This section expires January 1, 2031, for taxable years beginning after December 31, 2030.

History: *2023 c 64 art 1 s 41; 1Sp2025 c 13 art 1 s 14,15; art 9 s 8*

290.07 NET INCOME; COMPUTATION, ACCOUNTING PERIOD.

Subdivision 1. **Annual accounting period.** Net income and taxable net income shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer has no annual accounting period, or has one other than a fiscal year, the net income and taxable net income shall be computed on the basis of the calendar year. Taxpayers shall employ the same accounting period on which they report, or would be required to report, their net income under the Internal Revenue Code. The commissioner shall provide by rule for the determination of the accounting period for taxpayers who file a combined report under section 290.17, subdivision 4, when members of the group use different accounting periods for federal income tax purposes.

Subd. 2. **Accounting methods.** Except as specifically provided to the contrary by this chapter, net income and taxable net income shall be computed in accordance with the method of accounting regularly employed in keeping the taxpayer's books. If no such accounting system has been regularly employed, or if that employed does not clearly or fairly reflect income or the income taxable under this chapter, the computation shall be made in accordance with such method as in the opinion of the commissioner does clearly and fairly reflect income and the income taxable under this chapter.

Subd. 3. MS 1986 [Repealed, 1988 c 719 art 3 s 11]

Subd. 4. **Refunded income.** If (a) an item was included in gross income for a prior taxable year (or years) because it appeared that the taxpayer had an unrestricted right to such item, and (b) a deduction is allowable for the taxable year because it was established after the close of such prior taxable year (or years) that the taxpayer did not have an unrestricted right to such item or to a portion of such item, and (c) the amount of such deduction exceeds $3,000, then the tax imposed by this chapter for the taxable year shall be the lesser of the following: (d) the tax for the taxable year computed with such deduction; or (e) an amount equal to (1) the tax for the taxable year computed without such deduction, minus (2) the decrease in tax under this chapter for the prior taxable year (or years) which would result solely from the exclusion of such item (or portion thereof) from gross income for such prior taxable year (or years).

If the decrease in tax ascertained under part (e)(2) of the preceding paragraph exceeds the tax imposed by this chapter for the taxable year (computed without the deduction) such excess shall be considered to be a payment of tax on the last day prescribed by law for the payment of tax for the taxable year, and shall be refunded or credited in the same manner as if it were an overpayment for such taxable year. The preceding paragraph does not apply to any deduction allowable with respect to an item which was included in gross

income by reason of the sale or other disposition of stock in trade of the taxpayer (or other property of a kind which would properly have been included in the inventory of the taxpayer if on hand at the close of the prior taxable year) or property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business. This paragraph shall not apply if the deduction arises out of refunds or repayments made by a regulated public utility (as defined in section 7701(a)(33) of the Internal Revenue Code without regard to the limitation contained in the last two sentences thereof) if such refunds or repayments are required to be made by the government, political subdivision, agency, or instrumentality referred to in such section.

Subd. 5. MS 1982 [Repealed, 1987 c 268 art 1 s 127]

Subd. 5a. MS 1982 [Repealed, 1983 c 15 s 33]

Subd. 6. MS 1986 [Repealed, 1988 c 719 art 3 s 11]

Subd. 7. **Deductions, credits; time for taking.** The deductions and credits provided for in this chapter shall be taken for a taxable year in which "paid or accrued" or "paid and incurred," dependent upon the method of accounting upon the basis of which the net income is computed, unless in order to clearly reflect the income the deductions or credits should be taken as of a different period.

The provisions of sections 461 to 468A of the Internal Revenue Code shall determine the taxable year for which a deduction or credit may be taken.

History: *(2394-9) 1933 c 405 s 9; 1939 c 446 s 4; 1945 c 604 s 4,5; 1947 c 635 s 5; 1955 c 426 s 1; 1957 c 621 s 10; 1957 c 772 s 1; 1961 c 507 s 1; 1965 c 488 s 1; 1965 c 489 s 1; 1971 c 761 s 1; 1971 c 769 s 2; 1973 c 711 s 3; 1975 c 349 s 29; 1977 c 376 s 13; 1980 c 419 s 3; 1980 c 607 art 1 s 32; 1981 c 60 s 3,27; 1981 c 178 s 17; 1982 c 523 art 40 s 14; 1983 c 207 s 43; 1983 c 342 art 1 s 14,43; 1984 c 514 art 1 s 8; 1985 c 248 s 70; 1Sp1985 c 14 art 21 s 8,9,49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 126; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 2008 c 366 art 12 s 4; 2014 c 308 art 9 s 65,66*

290.071 Subdivision 1. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 2. MS 1983 Supp [Repealed, 1983 c 15 s 33; 1987 c 268 art 1 s 127]

Subd. 3. MS 1983 Supp [Repealed, 1983 c 15 s 33; 1987 c 268 art 1 s 127]

Subd. 4. MS 1983 Supp [Repealed, 1983 c 15 s 33; 1987 c 268 art 1 s 127]

Subd. 5. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 6. MS 1983 Supp [Repealed, 1983 c 15 s 33; 1987 c 268 art 1 s 127]

290.072 MS 1974 [Repealed, 1975 c 349 s 31]

290.073 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.074 MS 1945 [Repealed, 1947 c 635 s 21]

290.075 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.076 MS 1980 [Repealed, 1981 c 178 s 119]

290.077 Subdivision 1. MS 1987 Supp [Repealed, 1988 c 719 art 1 s 21]

Subd. 2. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

Subd. 3. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 4. MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

290.078 MS 1961 [Repealed, 1965 c 677 s 2]

290.0781 MS 1980 [Repealed, 1982 c 523 art 1 s 72]

290.079 Subdivision 1. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 2. MS 1982 [Repealed, 1982 c 523 art 1 s 72; 1987 c 268 art 1 s 127]

Subd. 3. MS 1982 [Repealed, 1982 c 523 art 1 s 72; 1987 c 268 art 1 s 127]

Subd. 4. MS 1982 [Repealed, 1982 c 523 art 1 s 72; 1987 c 268 art 1 s 127]

Subd. 5. MS 1982 [Repealed, 1982 c 523 art 1 s 72; 1987 c 268 art 1 s 127]

Subd. 6. MS 1982 [Repealed, 1982 c 523 art 1 s 72; 1987 c 268 art 1 s 127]

290.08 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.0801 MS 1974 [Repealed, 1975 c 349 s 31]

290.0802 SUBTRACTION FOR THE ELDERLY AND DISABLED.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Adjusted gross income" means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year, plus a lump-sum distribution as defined in section 402(e)(3) of the Internal Revenue Code, and less any pension, annuity, or disability benefits included in federal gross income but not subject to state taxation other than the subtraction allowed under section 290.0132, subdivision 5.

(b) "Disability income" means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) "Nontaxable retirement and disability benefits" means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code and pension, annuity, or disability benefits included in federal gross income but not subject to state taxation.

(d) "Qualified individual" means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal adjusted gross income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or a person with a disability under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) $12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) $9,600 for a single taxpayer, and

(iii) $6,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) $18,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) $14,500 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) $9,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

Subd. 3. **Restrictions; married couples.** Except in the case of spouses who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

History: *1988 c 719 art 1 s 10; 1989 c 28 s 13,14,25; 1Sp1989 c 1 art 10 s 19; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 28,46; 1992 c 511 art 6 s 19; 1994 c 587 art 1 s 15,16; 2000 c 260 s 51; 2003 c 2 art 1 s 31; 2003 c 127 art 3 s 15; 2016 c 158 art 3 s 18,19; 1Sp2019 c 6 art 1 s 49; art 24 s 10,11*

290.081 INCOME OF NONRESIDENTS, RECIPROCITY.

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of paragraph (a) shall not apply. As long as the provisions of paragraph (a) apply between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without paragraph (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without paragraph (a), or vice versa, then the state with the net revenue loss calculated under paragraph (e) shall receive from the other state the amount of such loss.

(d) Payments for amounts calculated under paragraph (c) must equal one-quarter of the estimated annual amount and must be paid at the midpoint of each quarter, on February 15, May 15, August 15, and November 15.

(e)(1) The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due dates, conditions constituting delinquency, interest rates, and a method for computing interest due.

(2) For agreements entered into before August 1, 2018, the annual compensation required under paragraph (c) must equal at least the net revenue loss minus up to $3,000,000 per fiscal year.

(3) For the purposes of this section, "net revenue loss" means the difference between the amount of Minnesota income taxes Minnesota forgoes by not taxing Wisconsin residents on income subject to reciprocity and the credit Minnesota would have been required to give under section 290.06, subdivision 22, to Minnesota residents working in Wisconsin had there not been reciprocity.

(4) All agreements must include provisions:

(i) providing for a suspension of the agreement if one party to the agreement does not pay in full by a time prescribed in the agreement;

(ii) setting the interest rate that will be applied, and that interest shall run from the date the payment is due until the day the payment is made, except that interest from the reconciliation payments runs from July 1 of the tax year until paid;

(iii) stating a time for annual reconciliation must be completed by October 31 of the year following the tax year, and the time for payment of any amounts to be completed by no later than December 1 of the year following the tax year;

(iv) requiring the parties to jointly conduct updated benchmark studies every five years beginning tax year 2018;

(v) requiring each party to the agreement to require taxpayers who request exemption from withholding in the state where they work to make an annual application and that a list of participants will be exchanged annually; and

(vi) that provide that the sum of the amount of the quarterly payments must be a reasonable estimate of the revenue loss as defined in clause (3).

(f) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

(g) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

History: *1941 c 429; 1943 c 656 s 19; 1959 c 10 s 1; 1961 c 213 art 3 s 1; 1967 c 42 s 1; 1973 c 582 s 3; 1973 c 650 art 6 s 1; 1977 c 387 s 1; 1977 c 423 art 1 s 7; 1979 c 303 art 1 s 13; 1980 c 607 art 1 s 9; 1981 c 178 s 25; 1982 c 523 art 1 s 12; art 28 s 1; 1983 c 15 s 11; 1985 c 248 s 70; 1986 c 444; 1987 c 268 art 1 s 48; 1988 c 719 art 1 s 11; 1989 c 184 art 2 s 17; 2002 c 377 art 1 s 2; 2010 c 389 art 3 s 15; 2014 c 308 art 4 s 14; 1Sp2017 c 1 art 1 s 28; 2018 c 182 art 1 s 75*

290.082 MS 1986 [Repealed, 1987 c 268 art 9 s 43]

290.085 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.086 MS 1978 [Repealed, 1980 c 419 s 46]

290.087 MS 1978 [Repealed, 1980 c 419 s 46]

290.088 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.089 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.09 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.091 ALTERNATIVE MINIMUM TAX ON PREFERENCE ITEMS.

Subdivision 1. **Imposition of tax.** In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to 6.75 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

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

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

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

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

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

(ii) the medical expense deduction;

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

(iv) the impairment-related work expenses of a person with a disability;

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

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

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

(6) the amount of additions required by section 290.0131, subdivisions 9, 10, 16, and 21 to 26;

(7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent not included in the addition required under clause (6); and

(8) to the extent not included in federal alternative minimum taxable income, the amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code;

less the sum of the amounts determined under the following:

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

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

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

(iv) amounts subtracted from federal taxable or adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, 26 to 29, 31, and 34 to 41;

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

(vi) the amount allowable as a Minnesota itemized deduction under section 290.0122, subdivision 7.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except alternative minimum taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

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

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section, section 290.033, and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

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

Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum tax, the exemption amount is $77,590 for married couples filing joint returns, $38,800 for married individuals filing separate returns, estates, and trusts, and $58,190 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(2) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out, and section 55(d)(4) of the Internal Revenue Code does not apply.

(c) The commissioner shall annually adjust the amounts in paragraph (a) as provided in section 270C.22. The statutory year is taxable year 2019.

Subd. 4. **Part year residents; estates and trusts.** (a) An individual who is not a Minnesota resident for the entire year must compute alternative minimum tax liability using a regular tax liability determined under section 290.06, subdivision 2c, paragraph (e), without regard to the provision for allocation to Minnesota. The resulting alternative minimum tax liability must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e).

(b) In the case of an estate or trust, the alternative minimum tax liability must be computed by multiplying alternative minimum taxable income and the exemption amount by a fraction, the numerator of which is the amount of the taxpayer's alternative minimum taxable income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total alternative minimum taxable income.

Subd. 5. **Tax benefit rule.** The tax benefit rule contained in section 59(g) of the Internal Revenue Code applies to the computation of the tax under this section only to the extent that it determines if there is an item of tax preference for purposes of subdivision 2, clause (a)(1).

Subd. 6. **Credit for prior years' liability.** (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) 6.75 percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.0131, subdivision 2,

(iii) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

(iv) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

(v) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3) of the second series of clauses, and

(vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case

of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

History: *1977 c 423 art 1 s 14; 1978 c 767 s 17; 1979 c 303 art 1 s 15; 1980 c 607 art 1 s 15; 1981 c 60 s 11; 3Sp1981 c 2 art 3 s 9; 1982 c 523 art 1 s 17; art 40 s 6,14; 1983 c 207 s 13; 1984 c 514 art 2 s 20; 1Sp1985 c 14 art 1 s 37; 1Sp1985 c 16 art 2 s 28; 1986 c 398 art 21 s 3; 1986 c 444; 1Sp1986 c 1 art 1 s 4; art 3 s 6; 1987 c 268 art 1 s 49-53; 1988 c 719 art 3 s 12; 1Sp1989 c 1 art 10 s 20,21; 1990 c 604 art 2 s 7; 1991 c 291 art 6 s 29,30,46; 1992 c 511 art 6 s 19; art 7 s 15,16; 1993 c 375 art 8 s 10,11; 1994 c 416 art 2 s 3; 1994 c 587 art 1 s 17,18; 1996 c 471 art 1 s 6; 1997 c 7 art 1 s 120; 1998 c 389 art 6 s 12,13; 1999 c 243 art 2 s 16-18; 2000 c 490 art 4 s 25-27; 1Sp2001 c 5 art 9 s 13; 2002 c 377 art 2 s 10; 1Sp2002 c 2 s 1; 1Sp2003 c 21 art 1 s 9; art 11 s 13; 1Sp2005 c 3 art 3 s 11; art 4 s 15; art 10 s 8; 2006 c 259 art 1 s 3; 2008 c 154 art 4 s 7; art 11 s 16; 2008 c 366 art 4 s 12; 2009 c 88 art 1 s 10; 2010 c 389 art 3 s 16; 2011 c 112 art 6 s 4; 2012 c 294 art 2 s 14; 2013 c 143 art 6 s 21-23; 2014 c 150 art 1 s 21; 2014 c 308 art 4 s 15; 2016 c 158 art 1 s 160; art 3 s 20,21; 2017 c 40 art 1 s 100; 1Sp2017 c 1 art 1 s 29; 1Sp2019 c 6 art 1 s 50,51,73; art 24 s 12; 2023 c 1 s 18; 2023 c 64 art 1 s 42,43; 1Sp2025 c 13 art 1 s 16; 2026 c 128 art 1 s 27*

290.092 MS 1995 Supp [Repealed, 1996 c 471 art 9 s 16]

290.0921 CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.

Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

(1) 5.8 percent of Minnesota alternative minimum taxable income; over

(2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is $40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over $150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to:

(1) a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) a deduction for dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation

1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(e) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 16, 2016.

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.0133, subdivision 11, is disallowed in determining alternative minimum taxable income.

(2) The subtraction for depreciation allowed under section 290.0134, subdivision 13, is allowed as a depreciation deduction in determining alternative minimum taxable income.

(3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision 8.

(10) The subtraction for disallowed section 280E expenses under section 290.0134, subdivision 19, is allowed as a deduction in determining alternative minimum taxable income.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

Subd. 3a. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) cooperatives taxable under subchapter T of the Internal Revenue Code or organized under chapter 308 or a similar law of another state;

(2) corporations subject to tax under section 297I.05, subdivisions 1 to 5;

(3) real estate investment trusts;

(4) regulated investment companies or a fund thereof;

(5) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code; and

(6) small corporations exempt from the federal alternative minimum tax under section 55(e) of the Internal Revenue Code.

Subd. 4. **Alternative tax net operating loss.** (a) An alternative tax net operating loss deduction is allowed from alternative minimum taxable net income equal to the net operating loss deduction allowable for the taxable year under section 290.095 with the following modifications:

(1) The amount of the net operating loss deduction must not exceed 90 percent of alternative minimum taxable net income.

(2) In determining the amount of the net operating loss deduction (i) the net operating loss under section 290.095 must be adjusted as provided in paragraph (b), and (ii) for taxable years beginning after December 31, 1989, section 290.095, subdivision 3, must be applied by substituting "90 percent of alternative minimum taxable net income" for "taxable net income."

(b) For a loss year beginning after December 31, 1989, the net operating loss for each year under section 290.095 must be (1) determined with the adjustments provided in sections 56 and 58 of the Internal Revenue Code, as modified by subdivision 3 and (2) reduced by the items of tax preference for the year determined under section 57 of the Internal Revenue Code, as modified by subdivision 3.

Subd. 5. MS 2000 [Repealed, 2002 c 377 art 10 s 32]

Subd. 6. **Dividends received.** (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

This limitation does not apply to:

(1) dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

Subd. 7. MS 2012 [Repealed, 2013 c 143 art 6 s 34]

Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular tax for qualified alternative minimum tax previously paid. The credit is allowable only if the corporation has no tax liability

under this section for the taxable year and if the corporation has an alternative minimum tax credit carryover from a previous year. The credit allowable in a taxable year equals the lesser of

(1) the excess of the qualified regular tax for the taxable year over the amount computed under subdivision 1, clause (1), for the taxable year or

(2) the carryover credit to the taxable year.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Qualified alternative minimum tax" equals the amount determined under subdivision 1 for the taxable year.

(2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

(c) The qualified alternative minimum tax for a taxable year is an alternative minimum tax credit carryover to each of the taxable years succeeding the taxable year. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. Any unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year in which alternative minimum tax was paid.

(d) An acquiring corporation may carry over this credit from a transferor or distributor corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue Code apply in determining the amount of the carryover, if any.

History: *1Sp1989 c 1 art 10 s 22; 1990 c 604 art 2 s 8-11,16; 1991 c 291 art 6 s 46; art 7 s 14; 1992 c 511 art 6 s 19; art 7 s 17; 1993 c 375 art 8 s 12,14; 1994 c 587 art 1 s 19,24; 1998 c 389 art 7 s 8; 1999 c 243 art 2 s 19; 1Sp2001 c 5 art 7 s 42; art 9 s 14-16; 2002 c 377 art 1 s 3,4; art 2 s 11; art 10 s 14; 1Sp2003 c 21 art 1 s 10; art 2 s 6; 1Sp2005 c 3 art 10 s 9; 2008 c 154 art 11 s 17; 2008 c 277 art 1 s 63; 2010 c 382 s 60; 2010 c 389 art 3 s 17; 2012 c 294 art 2 s 15; 2013 c 143 art 6 s 24; 2014 c 308 art 9 s 67; 2016 c 158 art 3 s 22; 2018 c 182 art 1 s 76; 1Sp2019 c 6 art 1 s 52,53; 2026 c 128 art 11 s 8*

290.0922 MINIMUM FEE; CORPORATIONS; PARTNERSHIPS.

Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:				the tax equals:
	less than	$	1,020,000	$ 0
$ 1,020,000	to	$	2,039,999	$ 210
$ 2,040,000	to	$	10,209,999	$ 610
$ 10,210,000	to	$	20,409,999	$ 2,040
$ 20,410,000	to	$	40,819,999	$ 4,090
$ 40,820,000	or more			$ 10,210

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an S corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:				the tax equals:
	less than		$ 1,020,000	$ 0
$ 1,020,000	to		$ 2,039,999	$ 210
$ 2,040,000	to		$ 10,209,999	$ 610
$ 10,210,000	to		$ 20,409,999	$ 2,040
$ 20,410,000	to		$ 40,819,999	$ 4,090
$ 40,820,000	or more			$ 10,210

(c) The commissioner shall annually adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) as provided in section 270C.22. The statutory year is taxable year 2019. The tax amounts as adjusted must be rounded to the nearest $10 amount and the threshold amounts must be adjusted to the nearest $10,000 amount. For tax amounts that end in $5, the amount is rounded up to the nearest $10 amount and for the threshold amounts that end in $5,000, the amount is rounded up to the nearest $10,000.

[See Note.]

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof;

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) township mutual insurance companies; and

(6) cooperatives organized under chapter 308A, 308B, or 308C that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

[See Note.]

Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section

290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include the job opportunity building zone payroll under section 469.310, subdivision 8, of a qualified business as defined under section 469.310, subdivision 11. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

Subd. 4. **Partner's pro rata share.** For the purposes of this section, a partner's pro rata share of a partnership's property, payroll, and sales or receipts is not included in the property, payroll, and sales or receipts of the partner.

History: *1990 c 604 art 2 s 12; 1991 c 291 art 6 s 31,46; art 7 s 15; 1992 c 511 art 6 s 14,19; art 7 s 18; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1996 c 471 art 1 s 7; art 9 s 1; 1997 c 231 art 6 s 14; 1Sp2001 c 5 art 9 s 17; 1Sp2003 c 21 art 1 s 11,12; art 2 s 7; 1Sp2005 c 3 art 3 s 12; art 10 s 10,11; 2006 c 259 art 13 s 4,5; 2011 c 112 art 6 s 5,6; 2012 c 294 art 2 s 16,17; 2013 c 143 art 6 s 25; 2014 c 308 art 9 s 68; 1Sp2017 c 1 art 14 s 3; 1Sp2019 c 6 art 1 s 54,73; 2024 c 96 art 2 s 7; 2025 c 32 a 4 s 13; 2026 c 61 s 41; c 128 art 11 s 9,10*

NOTE: When calculating the minimum fee tax of a corporation under subdivision 1, paragraph (a), inclusion of Minnesota gross sales or receipts from air commerce was found to be preempted by the Anti-Head Tax Act, United States Code, title 49, section 40116(b)(4), in *Alaska Airlines, Inc. v. Comm'r of Revenue*, 2022 WL 829686 (Minn. Tax Mar. 16, 2022).

NOTE: The amendment to subdivision 2 by Laws 2024, chapter 96, article 2, section 7, is effective August 1, 2027. Laws 2024, chapter 96, article 2, section 13, as amended by Laws 2025, chapter 32, article 4, section 13, and Laws 2026, chapter 61, section 41.

290.093 TAX COMPUTATION FOR MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.

Mutual savings banks as defined in section 594 of the Internal Revenue Code are subject to a tax computed on the taxable income determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department, at the rates and in the manner for a corporation not engaged in the business of issuing life insurance contracts.

This section applies only if the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 816 of the Internal Revenue Code.

History: *1987 c 268 art 1 s 55; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1Sp2001 c 5 art 9 s 18*

290.095 OPERATING LOSS DEDUCTION.

Subdivision 1. **Allowance of deduction.** (a) There shall be allowed as a deduction for the taxable year the amount of any net operating loss deduction as provided in section 172 of the Internal Revenue Code, subject to the limitations and modifications provided in this section.

(b) A net operating loss deduction shall be available under this section only to corporate taxpayers except that subdivisions 9 and 11 hereof apply only to individuals, estates, and trusts.

(c) In the case of a regulated investment company or fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, the deduction provided by this section shall not be allowed.

Subd. 1a. MS 2000 [Repealed, 1Sp2001 c 5 art 9 s 30]

Subd. 2. **Defined and limited.** (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) of the Internal Revenue Code, with the modifications specified in subdivision 4. The deductions provided in section 290.21 cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The provisions of section 172(b) of the Internal Revenue Code relating to the carryback of net operating losses, do not apply.

(c) The amount of net operating loss deduction under this section must not exceed 70 percent of taxable net income in a single taxable year.

Subd. 3. **Carryover.** (a) A net operating loss incurred during the taxable year shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation apportions its income under the provisions of section 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year.

(d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers. The limitation amount determined under section 382 shall be applied to net income, before apportionment, in each post change year to which a loss is carried.

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

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

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

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

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

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

Subd. 5. **Return covering less than 12 months.** Wherever, under the provisions of this chapter, any taxpayer is required or permitted to make a return for a period of less than 12 months, such period shall be deemed a taxable year in the application of the provisions of this section.

Subd. 6. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 7. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 8. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 9. **Special period of limitation with respect to net operating loss carrybacks.** For the purposes of sections 289A.40 and 289A.50 if the claim for refund relates to an overpayment attributable to a net operating loss carryback under this section, in lieu of the period of limitation prescribed in section 289A.40, the period shall be that period which ends with the expiration of the 15th day of the 46th month following the end of the taxable year of the net operating loss which results in such carryback, plus any extension of time granted for filing the return, but only if the return was filed within the extended time.

Subd. 10. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 11. **Carryback or carryover adjustments.** (a) Except as provided in paragraph (c), for individuals, estates, and trusts the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal taxable income, provided that, notwithstanding any other provision, estates and trusts must apply the following adjustments to the amount of the net operating loss that may be carried back or carried over:

(1) Nonassignable income or losses as required by section 290.17.

(2) Deductions not allocable to Minnesota under section 290.17.

(b) The net operating loss carryback or carryover applied as a deduction in the taxable year to which the net operating loss is carried back or carried over shall be equal to the net operating loss carryback or carryover applied in the taxable year in arriving at federal taxable income provided that trusts and estates must apply the following modifications:

(1) Increase the amount of carryback or carryover applied in the taxable year by the amount of losses and interest, taxes and other expenses not assignable or allowable to Minnesota incurred in the taxable year.

(2) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year. For estates and trusts, the net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (b) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed to estates and trusts if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. However, if a net operating loss carryback or carryover was allowed to offset federal income in a year earlier than was possible on the

Minnesota return, an estate or trust shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(c) This paragraph does not apply to eligible small businesses that make a valid election to carry back their losses for federal purposes under section 172(b)(1)(H) of the Internal Revenue Code as amended through March 31, 2009.

(1) A net operating loss of an individual, estate, or trust that is allowed under this subdivision and for which the taxpayer elects to carry back for more than two years under section 172(b)(1)(H) of the Internal Revenue Code is a net operating loss carryback to each of the two taxable years preceding the loss, and unused portions may be carried forward for 20 taxable years after the loss.

(2) The entire amount of the net operating loss for any taxable year must be carried to the earliest of the taxable years to which the loss may be carried. The portion of the loss which may be carried to each of the other taxable years is the excess, if any, of the amount of the loss over the greater of the taxable net income or alternative minimum taxable income for each of the taxable years to which the loss may be carried.

Subd. 12. MS 1992 [Repealed, 1988 c 719 art 2 s 57]

History: *1945 c 604 s 28; 1957 c 769 s 2; Ex1957 c 1 art 6 s 2; Ex1959 c 70 art 3 s 8; 1961 c 259 s 1,2; 1963 c 355 s 5-7; 1965 c 402 s 1,2; 1967 c 597 s 1-3; 1971 c 769 s 2; 1973 c 74 s 1-4; 1973 c 711 s 3; 1975 c 349 s 29; 1977 c 376 s 13; 1979 c 303 art 1 s 16; 1980 c 419 s 13,14; 1980 c 607 art 1 s 16,17,32; 1981 c 60 s 27; 1981 c 178 s 38; 1981 c 343 s 6-8; 1982 c 523 art 1 s 18,19; art 29 s 2; art 40 s 7,14; 1983 c 15 s 15; 1983 c 207 s 43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; art 2 s 21; 1985 c 210 art 2 s 3; 1985 c 248 s 70; 1Sp1985 c 14 art 1 s 38-40; art 21 s 49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 3 s 7,8; 1987 c 268 art 1 s 56-62; 1988 c 719 art 2 s 25-28; art 3 s 4,12; 1989 c 28 s 15,25; 1Sp1989 c 1 art 10 s 23,24; 1990 c 480 art 1 s 46; 1990 c 604 art 2 s 16; 1991 c 199 art 2 s 1; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1996 c 471 art 9 s 2; 1997 c 84 art 2 s 2; 1998 c 389 art 7 s 12; 1999 c 243 art 2 s 20; 1Sp2001 c 5 art 9 s 19; 2005 c 10 art 1 s 61; 2010 c 216 s 13; 2011 c 112 art 6 s 7; 2013 c 143 art 6 s 26; 2014 c 308 art 9 s 69; 1Sp2019 c 6 art 1 s 55; 2023 c 1 s 19; 2023 c 64 art 1 s 44; 2026 c 88 art 1 s 172*

290.10 NONDEDUCTIBLE ITEMS.

Subdivision 1. **Expenses, interest, and taxes.** In computing the net income of a taxpayer no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this subdivision.

Subd. 2. MS 2018 [Repealed, 1Sp2019 c 6 art 1 s 74]

History: *(2394-14) 1933 c 405 s 14; Ex1937 c 49 s 11; 1939 c 446 s 7; 1941 c 550 s 8; 1947 c 635 s 7; 1949 c 541 s 2; 1955 c 83 s 1; 1961 c 504 s 1; 1969 c 610 s 1; 1971 c 432 s 1; 1971 c 769 s 2; 1973 c 279 s 1; 1973 c 711 s 3; 1975 c 349 s 29; 1977 c 376 s 13; 1980 c 607 art 1 s 32; 1981 c 60 s 27; 1981 c 178 s 39; 1Sp1981 c 3 s 3; 1982 c 523 art 1 s 20; art 40 s 14; 1983 c 207 s 14,43; 1983 c 342 art 1 s 43;*

1984 c 514 art 1 s 3,8; 1984 c 655 art 1 s 49; 1Sp1985 c 14 art 1 s 41; 1Sp1986 c 1 art 1 s 9; art 3 s 9; 1987 c 268 art 1 s 63; 1988 c 719 art 2 s 29; 1992 c 464 art 2 s 3; 1998 c 389 art 6 s 14; 2008 c 154 art 3 s 6; 2013 c 143 art 6 s 27

290.101 MS 1984 [Repealed, 1Sp1985 c 14 art 1 s 59]

290.11 MS 1986 [Repealed, 1988 c 719 art 3 s 11]

290.12 Subdivision 1. MS 1986 [Repealed, 1988 c 719 art 3 s 11]

Subd. 2. MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

Subd. 3. MS 1986 [Repealed, 1988 c 719 art 3 s 11]

Subd. 4. MS 1986 [Repealed, 1988 c 719 art 3 s 11]

290.13 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.131 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.132 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.133 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.134 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.135 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.136 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.137 MS 1980 [Repealed, 1981 c 60 s 29]

290.138 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.139 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.14 MS 1987 Supp [Repealed, 1988 c 719 art 3 s 11]

290.15 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.16 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.165 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.17 GROSS INCOME, ALLOCATION TO STATE.

Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals is not subject to allocation outside this state. The allocation rules apply to nonresident individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders of corporations treated as "S" corporations under section 290.9725, and all corporations not having such an election in effect. If a partnership or corporation would not otherwise be subject to the allocation rules, but conducts a trade or business that is part of a unitary business involving another legal entity that is subject to the allocation rules, the partnership or corporation is subject to the allocation rules.

(b) Expenses, losses, and other deductions (referred to collectively in this paragraph as "deductions") must be allocated along with the item or class of gross income to which they are definitely related for purposes

of assignment under this section or apportionment under section 290.191, 290.20, or 290.36. Deductions definitely related to any item of gross income assigned under subdivision 2, paragraph (e), are assigned to the taxpayer's domicile.

(c) In the case of an individual who is a resident for only part of a taxable year, the individual's income, gains, losses, and deductions from the distributive share of a partnership, S corporation, trust, or estate are not subject to allocation outside this state to the extent of the distributive share multiplied by a ratio, the numerator of which is the number of days the individual was a resident of this state during the tax year of the partnership, S corporation, trust, or estate, and the denominator of which is the number of days in the taxable year of the partnership, S corporation, trust, or estate.

Subd. 1a. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a), (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) the amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) the amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

Subd. 3. **Trade or business income; general rule.** All income of a trade or business is subject to apportionment except nonbusiness income. Income derived from carrying on a trade or business must be assigned to this state if the trade or business is conducted wholly within this state, assigned outside this state if conducted wholly without this state and apportioned between this state and other states and countries under this subdivision if conducted partly within and partly without this state. For purposes of determining whether a trade or business is carried on exclusively within or without this state:

(a) A trade or business physically located exclusively within this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts without this state.

(b) A trade or business physically located exclusively without this state is nevertheless carried on partly within and partly without this state if any of the principles set forth in section 290.191 for the allocation of sales or receipts within or without this state when applied to the taxpayer's situation result in the allocation of any sales or receipts within this state. The jurisdiction to tax such a business under this chapter must be determined in accordance with sections 290.014 and 290.015.

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership does not exist when two or more corporations are involved unless more than 50 percent of the voting stock of each corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities, but excluding a disqualified captive insurance company, which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis.

(g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

(h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (g) in the denominators of the apportionment formula. Except as otherwise provided by paragraph (f), all sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

(i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

(j) For purposes of this subdivision, "insurance company" means an insurance company, as defined in section 290.01, subdivision 5b, that is not a disqualified captive insurance company.

Subd. 5. **Special rule.** Notwithstanding subdivisions 3 and 4, all income from the operation of an athletic team when the visiting team does not share in the gate receipts is assigned to the state in which the team's operation is based.

Subd. 6. **Nonbusiness income.** Nonbusiness income is income of the trade or business that cannot be apportioned by this state because of the United States Constitution or the Constitution of the state of Minnesota and includes income that cannot constitutionally be apportioned to this state because it is derived from a capital transaction that solely serves an investment function. Nonbusiness income must be allocated under subdivision 2.

Subd. 7. MS 1990 [Repealed, 1991 c 291 art 7 s 26]

History: *(2394-23) 1933 c 405 s 23; Ex1937 c 49 s 17; 1949 c 734 s 8; 1971 c 152 s 1; 1971 c 730 s 1; 1973 c 650 art 7 s 1; 1977 c 423 art 1 s 11; 1977 c 429 s 63; 1978 c 767 s 18; 1979 c 303 art 1 s 18,19; 1980 c 512 s 6; 1980 c 607 art 1 s 20,21,32; 1981 c 60 s 27; 1981 c 178 s 59; 1Sp1981 c 1 art 9 s 7; 1982 c 523 art 28 s 2; art 40 s 14; 3Sp1981 c 2 art 3 s 13; 1983 c 15 s 17; 1983 c 207 s 18,43; 1983 c 342 art 1 s 24,43; 1984 c 514 art 1 s 8; art 2 s 22-24; 1984 c 655 art 1 s 50; 1Sp1985 c 14 art 21 s 31; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 2 s 2; 1987 c 268 art 1 s 73; 1988 c 719 art 1 s 12; art 2 s 30; art 3 s 12; 1989 c 28 s 16,17,25; 1989 c 334 art 2 s 51; 1Sp1989 c 1 art 10 s 25,26; 1990 c 480 art 5 s 2,3; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 32,33,46; art 7 s 16; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 416 art 2 s 4; 1994 c 587 art 1 s 24; 1996 c 471 art 1 s 8; 1997 c 31 art 1 s 16; 1997 c 84 art 2 s 3; 1997 c 231 art 6 s 15; art 15 s 16; 1999 c 243 art 2 s 21-23; 2000 c 490 art 4 s 28; 1Sp2001 c 5 art 9 s 20,21; 2002 c 377 art 10 s 15,16; 2005 c 69 art 2 s 18; 2006 c 259 art 1 s 4; 2008 c 154 art 3 s 7; 2010 c 389 art 3 s 18; 2013 c 143 art 6 s 28; 1Sp2017 c 1 art 1 s 30; art 13 s 11; 1Sp2019 c 6 art 1 s 56; art 2 s 20*

290.171 MS 2012 [Repealed, 2013 c 143 art 13 s 24]

290.172 COMMISSIONER OF REVENUE.

The commissioner of revenue shall represent the state of Minnesota on the multistate tax commission. The commissioner may be represented on the commission by an alternate designated by the commissioner. The alternate shall be an employee of the Department of Revenue.

History: *1983 c 342 art 16 s 2; 1985 c 210 art 2 s 5; 1986 c 444*

290.173 MS 2012 [Repealed, 2013 c 143 art 13 s 24]

290.174 MS 2012 [Repealed, 2013 c 143 art 13 s 24]

290.175 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.18 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.19 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.191 APPORTIONMENT OF NET INCOME.

Subdivision 1. **General rule.** (a) Except as otherwise provided in section 290.17, subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section.

(b) For purposes of this section, "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.

Subd. 2. **Apportionment formula of general application.** (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) the percent for the property factor under paragraph (b) of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) the percent for the payroll factor under paragraph (b) of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11

2008	81	9.5	9.5
2009	84	8	8
2010	87	6.5	6.5
2011	90	5	5
2012	93	3.5	3.5
2013	96	2	2
2014 and later calendar years	100	0	0

Subd. 3. **Apportionment formula for financial institutions.** Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the percentage obtained by taking the sum of:

(1) the percent for the sales factor under subdivision 2, paragraph (b), of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived;

(2) the percent for the property factor under subdivision 2, paragraph (b), of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and

(3) the percent for the payroll factor under subdivision 2, paragraph (b), of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

Subd. 4. MS 2012 [Repealed, 2014 c 308 art 9 s 94]

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock.

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a person or corporation for a fund of a person or corporation regulated under United States Code, title 15, chapter 2D, subchapter I, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

Subd. 6. **Determination of receipts factor for financial institutions.** (a) For purposes of this section, the rules in this subdivision and subdivisions 5, paragraph (k), and 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock, bonds, and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Receipts from the lease

or rental of tangible personal property that is characteristically moving property, including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the office of the borrower from which the application would be made in the regular course of business is located. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) Interest income and other receipts from a participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h). A participation loan is an arrangement in which a lender makes a loan to a borrower and then sells, assigns, or otherwise transfers all or a part of the loan to a purchasing financial institution. A syndication loan is a loan transaction involving multiple financial institutions in which all the lenders are named as parties to the loan documentation, are known to the borrower, and have privity of contract with the borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which the services are received. For the purposes of this section, services provided to a corporation, partnership, or trust must be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securities and from money market instruments must be apportioned to this state based on the ratio that total deposits from this state, its residents, including any business with an office or other place of business in this state, its political subdivisions, agencies, and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies, and instrumentalities. In the case of an unregulated financial institution subject to this section, these receipts are apportioned to this state based on the ratio that its gross business income, excluding such receipts, earned from sources within this state bears to gross business income, excluding such receipts, earned from sources within all states. For purposes of this subdivision, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities must be attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.

(o) A financial institution's interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included in paragraph (n).

Subd. 7. MS 1990 [Repealed, 1991 c 291 art 7 s 26]

Subd. 8. **Deposit; definition.** (a) "Deposit," as used in subdivision 6, paragraph (n), has the meanings in this subdivision.

(b) "Deposit" means the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial institution, or a letter of credit or a traveler's check on which the financial institution is primarily liable. However, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection.

(c) "Deposit" means trust funds received or held by the financial institution, whether held in the trust department or held or deposited in any other department of the financial institution.

(d) "Deposit" means money received or held by a financial institution, or the credit given for money or its equivalent received or held by a financial institution, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes,

but is not limited to, escrow funds, funds held as security for an obligation due to the financial institution or others, including funds held as dealers reserves, or for securities loaned by the financial institution, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It does not include funds received by the financial institution for immediate application to the reduction of an indebtedness to the receiving financial institution, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness.

(e) "Deposit" means outstanding drafts, including advice or another such institution, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial institution itself.

(f) "Deposit" means money or its equivalent held as a credit balance by a financial institution on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(g) Interinstitution fund transfers are not deposits.

Subd. 9. **Determination of property factor; general rules.** For all taxpayers, the property factor includes tangible property, real, personal, and mixed, owned or rented, and used by the taxpayer in connection with the trade or business, as set forth in subdivision 10. For financial institutions only, the property factor also includes intangible property, as set forth in subdivision 11. For both tangible and intangible property, the property included in the property factor is the average of the total property used by the taxpayer in connection with its business during the tax period. Such averages must be on a commensurate basis for property within and without the state.

Subd. 10. **Property factor; tangible property.** (a) Tangible property includes land, buildings, machinery and equipment, inventories, and other tangible personal property actually used by the taxpayer during the taxable year in carrying on the business activities of the taxpayer. Tangible property which is separately allocated under section 290.17 is not includable in the property factor.

(b) Cash on hand or in banks, shares of stock, notes, bonds, accounts receivable, or other evidences of indebtedness, special privileges, franchises, and goodwill, are specifically excluded from the property factor, except as otherwise provided for financial institutions in subdivision 11.

(c) The value of tangible property that is owned by the taxpayer and that is to be used in the apportionment fraction is the original cost adjusted for any later capital additions or improvements and partial disposition by reason of sale, exchange, or abandonment.

(d) For purposes of computing the property factor, United States government property that is used by the taxpayer must be considered owned by the taxpayer.

(e) Property that is rented by the taxpayer is valued at eight times the net annual rental. Net annual rental is the annual rental paid by the taxpayer less any annual rental received by the taxpayer from subrentals. If the subrents taken into account in determining the net annual rental produce a negative or clearly inaccurate value for any item of property, another method that will properly reflect the value of rented property may be required by the commissioner or requested by the taxpayer. In no case, however, shall the value be less than an amount which bears the same ratio to the annual rental paid by the taxpayer for such property as the fair market value of that portion of the property used by the taxpayer bears to the total fair market value of the rented property. Rents paid during the year cannot be averaged.

(f) A person filing a combined report shall use this method of calculating the property factor for all members of the group.

Subd. 11. **Financial institutions; property factor.** (a) For financial institutions, the property factor includes, as well as tangible property, intangible property as set forth in this subdivision.

(b) Intangible personal property must be included at its tax basis for federal income tax purposes.

(c) Goodwill must not be included in the property factor.

(d) Coin and currency located in this state must be attributed to this state.

(e) Lease financing receivables must be attributed to this state if and to the extent that the property is located within this state.

(f) Assets in the nature of loans that are secured by real or tangible personal property must be attributed to this state if and to the extent that the security property is located within this state.

(g) Assets in the nature of consumer loans and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan was made to a resident of this state.

(h) Assets in the nature of commercial loan and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the assets must be attributed to the state in which there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) A participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h).

(j) Financial institution credit card and travel and entertainment credit card receivables must be attributed to the state to which the credit card charges and fees are regularly billed.

(k) Receivables arising from merchant discount income derived from financial institution credit card holder transactions with a merchant are attributed to the state in which the merchant is located. In the case of merchants located within and without the state, only receivables from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Assets in the nature of securities and money market instruments are apportioned to this state based upon the ratio that total deposits from this state, its residents, its political subdivisions, agencies and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies and instrumentalities. In the case of an unregulated financial institution, the assets are apportioned to this state based upon the ratio that its gross business income earned from sources within this state bears to gross business income earned from sources within all states. For purposes of this paragraph, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities are attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.

(m) A financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is included in the property factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (1).

Subd. 12. **Determination of payroll factor.** (a) The payroll factor must be determined in the same way for all taxpayers.

(b) Wages or salaries must be determined to be paid or incurred in this state if the individual with respect to whom the wages or salaries are paid is either employed within this state or is actually engaged in work in the territorial confines of this state, or if working without this state, is identified with or accountable to an office within this state.

(c) The wages or salaries paid to officers and employees working from offices within this state are considered payroll within this state even though the officer's and employee's employment requires them to spend working time without this state. Officers and employees whose employment requires them to work without the state entirely and who are assigned to an office without the state, are not considered employees within the state for the purpose of apportionment even though their salaries are paid from the taxpayer's general offices within the state.

History: *1987 c 268 art 1 s 75; 1988 c 719 art 2 s 31-35; 1989 c 27 art 2 s 6,7; 1989 c 28 s 25; 1Sp1989 c 1 art 10 s 27; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; art 7 s 17-19; 1992 c 363 art 1 s 11; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 13,14; 1994 c 587 art 1 s 24; 1995 c 264 art 10 s 9-11; 1996 c 471 art 1 s 9,10; 1997 c 231 art 5 s 9; 1999 c 243 art 2 s 24,25; 1Sp2001 c 5 art 9 s 22; 2002 c 377 art 1 s 5; 2004 c 228 art 1 s 47; 1Sp2005 c 3 art 3 s 13,14; 2008 c 154 art 11 s 18; 2008 c 366 art 4 s 13,14; 2013 c 143 art 6 s 29; 2014 c 308 art 11 s 4; 1Sp2019 c 6 art 2 s 21*

290.20 NET INCOME; ALLOCATION TO STATE.

Subdivision 1. **Statutory methods to determine; petition for use of other methods.** The methods prescribed by section 290.191 shall be presumed to determine fairly and correctly the taxpayer's taxable net income allocable to this state. If the methods prescribed by section 290.191 do not fairly reflect all or any part of taxable net income allocable to this state, the taxpayer may petition for or the commissioner may require the determination of net income by the use of another method, if that method fairly reflects net income. These other methods may include:

(1) separate accounting;

(2) excluding any one or more of the factors;

(3) including one or more additional factors; or

(4) some other method.

Subd. 1a. **Petition form.** A petition within the meaning of this section must be filed by the taxpayer in the form required by the commissioner.

Subd. 2. **Nonapplication of statutory methods.** The methods prescribed by subdivision 1 shall not be applicable wherever and insofar as the taxpayer's business consists of the mining, producing, smelting, refining, or any combination of these activities of copper and nickel ores.

History: *(2394-26) 1933 c 405 s 26; Ex1937 c 49 s 29; 1939 c 446 s 23; 1947 c 635 s 9; 1967 c 671 s 6; 1986 c 444; 1987 c 268 art 1 s 76,77*

290.21 DEDUCTIONS ALLOWED TO CORPORATIONS.

Subdivision 1. **Scope and application.** The following deductions shall be allowed only to corporations and shall be deductions from a corporation's taxable net income.

Subd. 2. MS 1978 [Repealed, 1980 c 607 art 9 s 2]

Subd. 3. MS 2000 [Repealed, 1Sp2001 c 5 art 9 s 30]

Subd. 3a. MS 1982 [Repealed, 1983 c 342 art 1 s 44]

Subd. 4. **Dividends received from another corporation.** (a)(1) Fifty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 50 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 50 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 50 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Forty percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) or 246A of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

Subd. 5. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 6. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 7. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 8. MS 1987 Supp [Repealed, 1988 c 719 art 2 s 56]

Subd. 9. **Controlled foreign corporations.** The net income of a corporation that is included pursuant to section 951 of the Internal Revenue Code as modified under section 290.035 is dividend income.

Subd. 10. **Net CFC tested income.** The amount of net CFC tested income calculated under section 290.034 is dividend income.

History: *(2394-27) 1933 c 405 s 27; Ex1937 c 49 s 18; 1939 c 446 s 8; 1941 c 550 s 21; 1943 c 656 s 28; 1947 c 635 s 10; 1949 c 734 s 10; 1951 c 679 s 3; 1953 c 321 s 1; 1955 c 385 s 2; 1955 c 742 s 1; 1955 c 775 s 1; 1961 c 508 s 1; 1963 c 331 s 1; 1965 c 367 s 1; 1971 c 769 s 2; 1973 c 711 s 3; 1974 c 157 s 3; 1975 c 284 s 48; 1975 c 349 s 17,29; 1976 c 2 s 106; 1976 c 334 s 14; 1977 c 376 s 13; 1977 c 386 s 5; 1978 c 463 s 107; 1978 c 766 s 5; 1979 c 303 art 1 s 20; 1980 c 607 art 1 s 32; 1981 c 29 art 7 s 31; 1981 c 60 s 27; 1981 c 178 s 62-66; 3Sp1981 c 2 art 3 s 14; 1982 c 523 art 1 s 30; art 29 s 3; art 40 s 14; 1983 c 15 s 18; 1983 c 207 s 43; 1983 c 342 art 1 s 27,28,43; 1984 c 502 art 5 s 14,15; 1984 c 514 art 1 s 8; art 4 s 4; 1985 c 248 s 70; 1Sp1985 c 14 art 1 s 46; art 21 s 32,49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 2 s 3; art 3 s 12,13; 1987 c 268 art 1 s 78-80; 1988 c 719 art 2 s 36,37; art 3 s 12; 1989 c 28 s 25; 1Sp1989 c 1 art 10 s 28; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1998 c 389 art 6 s 15; 1Sp2001 c 5 art 9 s 23; 2002 c 377 art 1 s 6; 2008 c 366 art 12 s 5; 2013 c 143 art 6 s 30; 1Sp2019 c 6 art 1 s 57; art 2 s 22; 2023 c 64 art 1 s 45-47; 2026 c 128 art 1 s 28,29*

290.22 ESTATES AND TRUSTS, IMPOSITION OF TAX.

The taxes imposed by this chapter upon individuals shall apply to the income of estates or of any kind of property held in trust, including:

(1) income accumulated in trust for the benefit of unborn or unascertained person or persons with contingent interests, and income accumulated or held for future distribution under the terms of the will or trust;

(2) income which is to be distributed currently by the fiduciary to the beneficiaries, and income collected by a guardian of an infant which is to be held or distributed as the court may direct;

(3) income received by estates of deceased persons during the period of administration or settlement of the estate; and

(4) income which, in the discretion of the fiduciary, may be either distributed to the beneficiaries or accumulated.

History: *(2394-28) 1933 c 405 s 28; 1939 c 446 s 9; 1981 c 178 s 67*

290.23 MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

290.24 MS 1980 [Repealed, 1981 c 178 s 119]

290.25 MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

290.26 EXEMPTION FOR INDIVIDUAL RETIREMENT ACCOUNT.

Subdivision 1. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 2. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 2a. MS 1982 [Repealed, 1983 c 15 s 33]

Subd. 3. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 4. MS 1980 [Repealed, 1981 c 178 s 119]

Subd. 5. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 6. **Individual retirement account; exemption.** Any individual retirement account that is exempt from taxation under the provisions of section 408 of the Internal Revenue Code shall also be exempt from taxation under the provisions of this chapter.

Subd. 7. MS 1980 [Repealed, 1981 c 178 s 119]

History: *(2394-28d) 1939 c 446 s 10; 1945 c 604 s 18; 1957 c 766 s 1; 1971 c 769 s 2; 1973 c 582 s 3; 1973 c 711 s 3; 1974 c 157 s 4; 1975 c 349 s 27; 1976 c 2 s 108; 1977 c 376 s 7,13; 1980 c 607 art 1 s 22,32; 1981 c 60 s 17,27; 1981 c 178 s 73-75; 1982 c 523 art 40 s 14; 1983 c 15 s 19; 1983 c 207 s 19,43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 21 s 34,49; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 126; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24*

290.27 MS 1980 [Repealed, 1981 c 178 s 119]

290.28 [Repealed, 1981 c 178 s 119]

290.281 COMMON TRUST FUND.

Subdivision 1. **Not taxed; defined.** A common trust fund shall not be subject to taxation under this chapter and the definitions provided in and the provisions of section 584 of the Internal Revenue Code shall apply.

Subd. 2. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 3. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 4. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 5. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 6. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

History: *1945 c 604 s 14; 1974 c 6 s 2; 1975 c 349 s 30; 1981 c 178 s 76; 1982 c 523 art 1 s 32; 1983 c 207 s 43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 21 s 49; 1Sp1986 c 1 art 1 s 9; art 3 s 14; 1987 c 268 art 126; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24*

290.29 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.30 FIDUCIARIES, DUTY TO PAY TAX.

Upon notice to the commissioner that any person is acting in a fiduciary capacity, such fiduciary shall assume the powers, rights, duties, and privileges of the taxpayer in respect of a tax imposed by this chapter, except as otherwise specifically provided and except that the tax shall be collected from the estate of the taxpayer, until notice is given that the fiduciary capacity has terminated.

Upon notice to the commissioner that any person is acting in a fiduciary capacity for a person subject to the liability specified in section 270C.58, subdivision 1, the fiduciary shall assume, on behalf of such person, the powers, rights, duties, and privileges of such person under such section, except that the liability shall be collected from the estate of such person, until notice is given that the fiduciary capacity has terminated.

Notice under this section shall be given in accordance with rules prescribed by the commissioner.

History: *(2394-29a) 1939 c 446 s 12; 1985 c 248 s 70; 1990 c 480 art 1 s 46; 2005 c 151 art 2 s 17*

290.31 PARTNERSHIPS; INDIVIDUAL LIABILITY OF PARTNERS.

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under sections 289A.35, paragraph (b), and 289A.382, subdivision 3, a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

Subd. 2. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 2a. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 3. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 4. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 5. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 6. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 7. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 8. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 8a. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 9. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 10. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 11. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 12. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 13. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 14. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 15. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 16. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 17. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 18. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 19. MS 2000 [Repealed, 1Sp2001 c 5 art 7 s 66]

Subd. 20. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 21. MS 1981 Supp [Repealed, 1982 c 523 art 1 s 72]

Subd. 22. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 23. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 24. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 25. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 26. MS 1980 [Repealed, 1982 c 523 art 1 s 72]

Subd. 27. **Allocation of partnership income to state.** The taxable net income of the partnership shall be assigned to this state under sections 290.17 to 290.20.

Subd. 28. MS 1978 [Repealed, 1980 c 419 s 46]

History: *(2394-30) 1933 c 405 s 30; Ex1937 c 49 s 20; 1939 c 446 s 13; 1945 c 596 s 2; 1945 c 604 s 30; 1947 c 635 s 11; 1955 c 406 s 1; 1981 c 60 s 18; 1981 c 178 s 77-85; 1982 c 523 art 1 s 33-36; art 40 s 14; 1983 c 207 s 43; 1983 c 342 art 1 s 30,31,43; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 21 s 35-37,49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 83-86,126; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 13,16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1Sp2017 c 1 art 13 s 12; 1Sp2021 c 14 art 2 s 12*

290.311 PARTNERSHIP GROSS INCOME.

Subdivision 1. **Partners.** (a) Partner's modifications. In determining gross income and Minnesota taxable income of a partner, any modification described in sections 290.0131 to 290.0135, which relates to an item of partnership income, gain, loss or deduction shall be made in accordance with the partner's distributive share, for federal income tax purposes, of the item to which the modification relates.

(b) Character of items. Each item of partnership income, gain, loss, or deduction shall have the same character for a partner under this section which it has for federal income tax purposes. Where an item is not characterized for federal income tax purposes, it shall have the same character for a partner as if realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.

(c) Minnesota tax avoidance or evasion. Where a partner's distributive share of an item of partnership income, gain, loss or deduction is determined for federal income tax purposes by special provision in the partnership agreement with respect to such item, and where the effect of such provision is the avoidance or evasion of tax under this section, the partner's distributive share of such item, and any modifications required with respect thereto shall be determined as if the partnership agreement made no special provision with respect to such item.

Subd. 2. MS 1982 [Repealed, 1984 c 514 art 2 s 36]

History: *Ex1961 c 51 s 2; 1965 c 51 s 61; 1980 c 419 s 18,19; 1984 c 514 art 2 s 26; 1989 c 28 s 18; 2016 c 158 art 3 s 23*

290.32 TAXES FOR PART OF YEAR, COMPUTATION.

When under this chapter a taxpayer is permitted or required to make a return for a fractional part of a year, the tax shall be computed in the same manner as if such fractional part of a year were an entire year, except:

(1) A taxpayer who is permitted to change the basis for reporting income from a fiscal to a calendar year shall make a separate return for the period between the close of the taxpayer's last fiscal year and the following December 31st; if the change is from a calendar to a fiscal year, a separate return shall be made for the period between the close of the taxpayer's last calendar year and the date designated as the close of the fiscal year; and if the change is from one fiscal year to another fiscal year, a separate return shall be made for the period between the close of the former fiscal year and the date designated as the close of the new fiscal year. The taxable net income, or for corporations the taxable net income as reduced by the deductions contained in section 290.21, for any such period shall be put on an annual basis by multiplying the amount thereof by 12 and dividing by the number of months included in the period for which such separate return is made; and the tax shall be that part of a tax, computed on the taxable net income put on such annual basis which the number of months in such period bears to 12 months.

(2) Where any of the enumerated changes in accounting period referred to in clause (1) involve a 52-53 week fiscal year and any such change results in a short period of less than seven days, such short period shall be added to and deemed a part of the following taxable year. If the change results in a short period of seven or more days, but less than 359 days, the taxable net income, or for corporations the taxable net income as reduced by the deductions contained in section 290.21, for any such period shall be placed on an annual basis by multiplying such income by 365 and dividing the result by the same number of days in the short period; and the tax shall be that part of a tax, computed on the taxable net income placed on such annual

basis which the number of days in such short period bears to 365 days. Where the short period is 359 days or more, the tax shall be computed in the same manner as if such short period were an entire year.

History: *(2394-31) 1933 c 405 s 31; 1955 c 124 s 1; 1980 c 419 s 20; 1981 c 178 s 86; 1982 c 523 art 1 s 37; 1986 c 444*

290.33 MS 2012 [Repealed, 2014 c 308 art 9 s 94]

290.34 CORPORATIONS, SPECIAL PROVISIONS.

Subdivision 1. **Business conducted in such a way as to create losses or improper taxable net income.** When any corporation liable to taxation under this chapter conducts its business in such a manner as, directly or indirectly, to benefit its members or stockholders or any person or corporation interested in such business or to reduce the income attributable to this state by selling the commodities or services in which it deals at less than the fair price which might be obtained therefor, or buying such commodities or services at more than the fair price for which they might have been obtained, or when any corporation, a substantial portion of whose shares is owned directly or indirectly by another corporation, deals in the commodities or services of the latter corporation in such a manner as to create a loss or improper net income or to reduce the taxable net income attributable to this state, the commissioner of revenue may determine the amount of its income so as to reflect what would have been its reasonable taxable net income but for the arrangements causing the understatement of its taxable net income or the overstatement of its losses, having regard to the fair profits which, but for any agreement, arrangement, or understanding, might have been or could have been obtained from such business.

Subd. 2. **Affiliated or related corporations, combined report.** When a corporation which is required to file an income tax return is affiliated with or related to any other corporation through stock ownership by the same interests or as parent or subsidiary corporations, or has its income regulated through contract or other arrangement, the commissioner of revenue may permit or require such combined report as, in the commissioner's opinion, is necessary in order to determine the taxable net income of any one of the affiliated or related corporations.

Subd. 3. MS 1982 [Repealed, 1983 c 15 s 33]

Subd. 4. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 5. **Interest limitation.** The interest expense limitation under section 163(j) of the Internal Revenue Code must be computed using the combined report entities included in the unitary group under section 290.17, subdivision 4. The limitation must be aggregated between combined report entities consistent with the application to a consolidated group for federal income tax purposes.

History: *(2394-32) 1933 c 405 s 32; 1941 c 458; 1941 c 550 s 13; 1973 c 582 s 3; 1981 c 178 s 87; 3Sp1981 c 2 art 3 s 15; 1982 c 523 art 29 s 4; 1983 c 342 art 1 s 32; 1986 c 444; 1Sp1986 c 1 art 3 s 15; 1987 c 268 art 1 s 87; 1988 c 719 art 2 s 38; 1Sp2019 c 6 art 1 s 58*

290.35 MS 2000 [Repealed, 1Sp2001 c 5 art 9 s 30]

290.36 INVESTMENT COMPANIES; REPORT OF NET INCOME; COMPUTATION OF AMOUNT OF INCOME ALLOCABLE TO STATE.

The taxable net income of investment companies shall be computed as follows:

Each investment company transacting business as such in this state shall report to the commissioner the net income returned by the company for the taxable year to the United States under the provisions of the

Internal Revenue Code, less the credits provided therein and subject to the adjustments required by this chapter. The commissioner shall compute therefrom the taxable net income of the investment company by assigning to this state that proportion of such net income, less such credits which the aggregate of the gross payments collected by the company during the taxable year from old and new business upon investment contracts issued by the company and held by residents of this state, bears to the total amount of the gross payments collected during such year by the company from such business upon investment contracts issued by the company and held by persons residing within the state and elsewhere.

As used in this section, the term "investment company" means any person, copartnership, association, or corporation, whether local or foreign, coming within the purview of section 54.26, and who or which is registered under the Investment Company Act of 1940 (United States Code, title 15, section 80a-1 and following), as amended through December 31, 1986, and who or which solicits or receives payments to be made to itself and which issues therefor, or has issued therefor and has or shall have outstanding so-called bonds, shares, coupons, certificates of membership, or other evidences of obligation or agreement or pretended agreement to return to the holders or owners thereof money or anything of value at some future date; and as to whom the gross payments received during the taxable year in question upon outstanding investment contracts, plus interest and dividends earned on investment contracts determined by prorating the total dividends and interest for the taxable year in question in the same proportion that certificate reserves as defined by the Investment Company Act of 1940, as amended through December 31, 1986, is to total assets, shall be at least 50 percent of the company's gross payments upon investment contracts plus gross income from all other sources except dividends from subsidiaries for the taxable year in question. The term "investment contract" shall mean any such so-called bonds, shares, coupons, certificates of membership, or other evidences of obligation or agreement or pretended agreement issued by an investment company.

History: *(2394-32c) 1933 c 405 s 32-3; Ex1937 c 49 s 21; 1947 c 635 s 19; 1977 c 386 s 6; 1980 c 607 art 1 s 32; 1981 c 60 s 27; 1982 c 523 art 1 s 38; art 40 s 14; 1983 c 207 s 43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 21 s 49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; art 2 s 4; 1987 c 268 art 1 s 89; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24*

290.361 MS 1986 [Repealed, 1987 c 268 art 1 s 127]

290.362 [Renumbered 290.085]

290.363 MS 1978 [Repealed, 1980 c 419 s 46]

290.37 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.371 NOTICE OF BUSINESS ACTIVITIES REPORT.

Subdivision 1. **Report required.** Every corporation that, during any calendar year or fiscal accounting year beginning after December 31, 1986, obtained any business from within this state as described in section 290.015, subdivision 1, except corporations specifically exempted under subdivision 2, must file a notice of business activities report, as provided in this section. Filing of the report is not a factor in determining whether a corporation is subject to taxation under this chapter.

Subd. 2. MS 1987 Supp [Repealed, 1988 c 719 art 2 s 56]

Subd. 2. **Exemptions.** A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return has been filed under section 289A.08;

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05; or

(4) the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b).

Subd. 3. **Annual filing.** Every corporation not exempt under subdivision 2 must file annually a notice of business activities report, including such forms as the commissioner may require, with respect to each of its calendar or fiscal accounting years beginning after December 31, 1986, on or before the 15th day of the fourth month after the close of the calendar or fiscal accounting year.

Subd. 4. **Failure to file timely report.** (a) Any corporation required to file a notice of business activities report does not have any cause of action upon which it may bring suit under Minnesota law, except for issues related to its Minnesota tax liability, unless the corporation has filed a notice of business activities report.

(b) The failure of a corporation to file a timely report prevents the use of the courts in this state, except regarding activities and property described in section 290.015, subdivision 3, paragraph (b), for all contracts executed and all causes of action that arose at any time before the end of the last accounting period for which the corporation failed to file a required report.

(c) The court in which the issues arise must excuse the corporation for its failure to file a report when due, and restore the corporation's cause of action under the laws of this state, if the corporation has paid all taxes, interest, and civil penalties due the state for all periods, or provided for payment of them by adequate security or bond approved by the commissioner.

(d) Pursuant to section 270B.14, subdivision 6, the commissioner may acknowledge whether or not a particular corporation has filed with the commissioner reports or returns required by this chapter if the acknowledgment:

(1) is to a party in a civil action;

(2) relates to the filing status of another party in the same civil action; and

(3) is in response to a written request accompanied by a copy of the summons and complaint in the civil action.

Subd. 5. [Renumbered subd 4]

History: *1987 c 268 art 1 s 92; 1988 c 719 art 2 s 41-44; 1989 c 27 art 2 s 8; 1989 c 184 art 2 s 19; 1990 c 480 art 1 s 46; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 416 art 2 s 5; 1994 c 587 art 1 s 24; 1997 c 231 art 6 s 16; 1998 c 389 art 6 s 16*

290.38 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.39 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.391 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.40 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.41 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.42 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.43 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.431 NONGAME WILDLIFE CHECKOFF.

Every individual who files an income tax return or property tax refund claim form may designate on their original return that $1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into an account to be established for the management of nongame wildlife. The commissioner of revenue shall, on the income tax return and the property tax refund claim form, notify filers of their right to designate that a portion of their tax or refund shall be paid into the nongame wildlife management account. The sum of the amounts so designated to be paid shall be credited to the nongame wildlife management account for use by the nongame program in the Department of Natural Resources. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures in the nongame wildlife management account shall be credited to the account by the commissioner of management and budget, except that gifts or contributions received directly by the commissioner of natural resources and directed by the contributor for use in specific nongame field projects or geographic areas shall be handled according to section 84.085, subdivision 1.

The state pledges and agrees with all contributors to the nongame wildlife management account to use the funds contributed solely for the management of nongame wildlife projects and further agrees that it will not impose additional conditions or restrictions that will limit or otherwise restrict the ability of the commissioner of natural resources to use the available funds for the most efficient and effective management of nongame wildlife. The commissioner may use funds appropriated for nongame wildlife programs for the purpose of developing, preserving, restoring, and maintaining wintering habitat for neotropical migrant birds in Latin America and the Caribbean under agreement or contract with any nonprofit organization dedicated to the construction, maintenance, and repair of such projects that are acceptable to the governmental agency having jurisdiction over the land and water affected by the projects. Under this authority, the commissioner may execute agreements and contracts if the commissioner determines that the use of the funds will benefit neotropical migrant birds that breed in or migrate through the state.

History: *1980 c 607 art 1 s 24; 1981 c 356 s 340; 1982 c 523 art 1 s 42; 1983 c 342 art 1 s 35; 1984 c 514 art 2 s 28; 1986 c 383 s 14; 1988 c 690 art 1 s 1; 1989 c 335 art 1 s 269; 1999 c 231 s 178; 2000 c 495 s 47; 2003 c 112 art 2 s 50; 2006 c 243 s 21; 2009 c 101 art 2 s 109; 2010 c 361 art 4 s 67; 1Sp2011 c 2 art 4 s 24*

290.432 CORPORATE NONGAME WILDLIFE CHECKOFF.

A corporation that files an income tax return may designate on its original return that $1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that corporation and paid into the nongame wildlife management account established by section 290.431 for use by the Department of Natural Resources for its nongame wildlife program. The commissioner of revenue shall, on the corporate tax return, notify filers of their right to designate that a portion of their tax return be paid into the nongame wildlife management account for the protection of endangered natural resources. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures in the nongame wildlife management account shall be credited to the account by the commissioner of management and budget, except that gifts or contributions received directly by the commissioner of natural resources and directed by the contributor for use in specific nongame field projects or geographic areas shall be handled according to section 84.085, subdivision 1.

The state pledges and agrees with all corporate contributors to the nongame wildlife account to use the funds contributed solely for the nongame wildlife program and further agrees that it will not impose additional

conditions or restrictions that will limit or otherwise restrict the ability of the commissioner of natural resources to use the available funds for the most efficient and effective management of those programs.

History: *1989 c 335 art 1 s 189; 1999 c 231 s 179; 2000 c 495 s 48; 2003 c 112 art 2 s 50; 2006 c 243 s 21; 2009 c 101 art 2 s 109; 2010 c 361 art 4 s 68; 1Sp2011 c 2 art 4 s 25*

290.433 EASY ENROLLMENT HEALTH INSURANCE OUTREACH PROGRAM CHECKOFF.

Subdivision 1. **Taxpayer designation.** Any individual who files an income tax return may designate on their original return a request that the commissioner provide their return information to the MNsure board for purposes of providing the individual with information about potential eligibility for financial assistance and health insurance enrollment options under section 62V.13, to the extent necessary to administer the easy enrollment health insurance outreach program.

Subd. 2. **Form.** The commissioner shall notify filers of their ability to make the designation in subdivision 1 on their income tax return.

History: *2023 c 70 art 16 s 17*

290.44 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.45 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.46 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.47 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.48 LARGE AMOUNTS OF CASH; PRESUMPTION OF JEOPARDY.

Subdivision 1. MS 1980 [Repealed, 1982 c 523 art 2 s 49]

Subd. 2. MS 1981 Supp [Repealed, 1982 c 523 art 2 s 49]

Subd. 3. MS 2004 [Repealed, 2005 c 151 art 1 s 117]

Subd. 4. MS 2004 [Repealed, 2005 c 151 art 1 s 117]

Subd. 5. MS 1990 [Repealed, 1991 c 291 art 16 s 12]

Subd. 6. MS 1982 [Repealed, 1983 c 15 s 33]

Subd. 7. MS 1990 [Repealed, 1992 c 511 art 7 s 26]

Subd. 8. MS 1990 [Repealed, 1991 c 291 art 16 s 12]

Subd. 9. MS 1980 [Repealed, 1982 c 523 art 2 s 49]

Subd. 10. **Presumptions where owner of large amount of cash is not identified.** (a) If the individual who is in physical possession of cash in excess of $10,000 does not claim such cash, or does not claim it belongs to another person whose identity the commissioner can readily ascertain and who acknowledges ownership of such cash, then, for purposes of section 270C.36, it shall be presumed that the cash represents gross income of a single individual for the taxable year in which the possession occurs, and that the collection of tax will be jeopardized by delay.

(b) In the case of any assessment resulting from the application of clause (a), the entire amount of the cash shall be treated as taxable income for the taxable year in which the possession occurs, such income

shall be treated as taxable at an eight percent rate, and except as provided in clause (c), the possessor of the cash shall be treated (solely with respect to the cash) as the taxpayer for purposes of this chapter and the assessment and collection of the tax.

(c) If, after an assessment resulting from the application of clause (a), the assessment is abated and replaced by an assessment against the owner of the cash, the later assessment shall be treated for purposes of all laws relating to lien, levy, and collection as relating back to the date of the original assessment.

(d) For purposes of this subdivision, the definitions contained in section 6867 of the Internal Revenue Code shall apply.

History: *(2394-45) 1933 c 405 s 45; 1957 c 763 s 1,2; 1959 c 367 s 3-5; 1959 c 596 s 1; 1965 c 464 s 1; 1969 c 305 s 1; 1978 c 674 s 60; 1978 c 767 s 21,22; 1981 c 178 s 93; 1982 c 523 art 2 s 29-32; 1983 c 207 s 25,43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 21 s 49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; 1Sp1986 c 3 art 1 s 82; 1987 c 268 art 1 s 101; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 2006 c 212 art 3 s 26*

290.49 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.491 TAX ON GAIN; DISCHARGE IN BANKRUPTCY.

(a) Any tax due under this chapter on a gain realized on a forced sale pursuant to foreclosure of a mortgage or other security interest in agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be a dischargeable debt in a bankruptcy proceeding under United States Code, title 11, section 727.

(b) Income realized on a sale or exchange of agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be exempt from taxation under this chapter, if the taxpayer was insolvent at the time of the sale and the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien, or other security interest on the property sold. For purposes of this section, "insolvent" means insolvent as defined in section 108(d)(3) of the Internal Revenue Code. This paragraph applies only to the extent that the gain is includable in federal taxable income or in the computation of the alternative minimum taxable income under section 290.091 for purposes of the alternative minimum tax. The amount of the exemption is limited to the excess of the taxpayer's (1) liabilities over (2) the total assets and any exclusion claimed under section 108 of the Internal Revenue Code determined immediately before application of this paragraph.

(c) For purposes of this section, any tax due under this chapter specifically includes, but is not limited to, tax imposed under sections 290.02 and 290.03 on income derived from a sale or exchange, whether constituting gain, discharge of indebtedness or recapture of depreciation deductions, or the alternative minimum tax imposed under section 290.091.

History: *1Sp1985 c 14 art 1 s 50; 1986 c 398 art 21 s 4; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 102,126; 1988 c 719 art 1 s 16; art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24*

290.50 Subdivision 1. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 2. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 3. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 4. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 5. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 6. MS 1989 Supp [Repealed, 1990 c 480 art 1 s 45]

290.501 MS 1982 [Repealed, 1983 c 342 art 1 s 44]

290.51 MS 1980 [Repealed, 1982 c 523 art 2 s 49]

290.52 MS 1988 [Repealed, 1990 c 480 art 2 s 18]

290.521 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.522 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.523 MS 1989 Supp [Repealed, 1990 c 480 art 1 s 45]

290.53 Subdivision 1. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 1a. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 2. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 2a. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 3. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 3a. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 4. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 5. MS 1988 [Repealed, 1990 c 480 art 2 s 18]

Subd. 6. MS 1988 [Repealed, 1980 c 419 s 46]

Subd. 7. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 8. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 9. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 10. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 11. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.531 MS 1986 [Repealed, 1987 c 268 art 14 s 25]

290.54 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.56 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.57 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.58 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.59 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.60 MS 1980 [Repealed, 1981 c 178 s 119]

290.61 MS 1988 [Repealed, 1989 c 184 art 1 s 20]

290.611 [Renumbered 270B.131]

290.612 MS 1988 [Repealed, 1990 c 480 art 10 s 12]

290.62 MS 1965 [Repealed, Ex1967 c 48 s 91]

290.62 DISTRIBUTION OF REVENUES.

All revenues derived from the taxes, interest, penalties and charges under this chapter shall, notwithstanding any other provisions of law, be paid into the state treasury and credited to the general fund, and be distributed as follows:

(1) There shall, notwithstanding any other provision of the law, be paid from this general fund all refunds of taxes erroneously collected from taxpayers under this chapter as provided herein;

(2) There is hereby appropriated to the persons entitled to payment herein, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

History: *Ex1967 c 48 s 90; 1969 c 399 s 28; Ex1971 c 31 art 20 s 9; 1980 c 419 s 25*

290.621 [Temporary]

290.623 MS 1945 [Repealed, 1947 c 633 s 22]

290.65 Subdivision 1. MS 1976 [Repealed, 1977 c 423 art 1 s 15]

Subd. 2. MS 1980 [Repealed, 1982 c 523 art 40 s 15]

Subd. 3. MS 1980 [Repealed, 1982 c 523 art 40 s 15]

Subd. 4. MS 1980 [Repealed, 1982 c 523 art 40 s 15]

Subd. 5. MS 1980 [Repealed, 1982 c 523 art 40 s 15]

Subd. 6. MS 1980 [Repealed, 1982 c 523 art 40 s 15]

Subd. 7. MS 1980 [Repealed, 1982 c 523 art 40 s 15]

Subd. 8. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 9. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 10. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 11. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 12. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 13. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 14. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 15. MS 1978 [Repealed, 1980 c 419 s 46]

Subd. 16. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.66 MS 1978 [Repealed, 1980 c 419 s 46]

290.67 MS 1961 [Repealed, 1965 c 45 s 73]

290.68 MS 1978 [Repealed, 1980 c 419 s 46]

290.69 MS 1978 [Repealed, 1980 c 419 s 46]

290.91 [Renumbered 270C.20]

290.92 TAX WITHHELD AT SOURCE UPON WAGES; OTHER PAYMENTS.

Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a), (f), and (i) of the Internal Revenue Code.

(2) **Payroll period.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **Employee.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **Employer.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) **Number of withholding allowances claimed.** For purposes of this section, the term "number of withholding allowances claimed" means the number of withholding allowances claimed in a withholding allowances certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding allowances claimed shall be considered to be zero.

Subd. 2. MS 1965 [Repealed, Ex1967 c 32 art 14 s 12]

Subd. 2a. **Collection at source.** (1) **Deductions.** Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) **Withholding on payroll period.** The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

(3) **Withholding tables.** Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of allowances allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during the individual's taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon the individual's salary, wages, or compensation for personal services of any kind for the employer.

(4) **Miscellaneous payroll period.** If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) **Miscellaneous payroll period.** (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under rules prescribed by the commissioner, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) **Wages computed to nearest dollar.** If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) **Rules on withholding.** The commissioner may, by rule, authorize employers:

(a) to estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

(c) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) **Additional withholding.** The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) **Tips.** In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is

furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under the employer's control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of employment by such employer is less than $20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

(10) **Vehicle fringe benefits.** An employer shall not deduct and withhold any tax under this section with respect to any vehicle fringe benefit provided to an employee if the employer has so elected for federal purposes and the requirement of and the definition contained in section 3402(s) of the Internal Revenue Code are complied with.

Subd. 2b. [Expired, Ex1971 c 31 art 18 s 5]

Subd. 3. **Withholding, irregular period.** If payment of wages is made to an employee by an employer

(a) With respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employees by such employer, or

(b) Without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

(c) With respect to a period beginning in one and ending in another calendar year, or

(d) Through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of or pays, the wages payable by another employer to such employee.

The manner of withholding and the amount to be deducted and withheld under subdivision 2a shall be determined in accordance with rules prescribed by the commissioner under which the withholding allowance allowed to the employee in any calendar year shall approximate the withholding allowance allowable with respect to an annual payroll period, except that if supplemental wages are not paid concurrent with a payroll period the employer shall withhold tax on the supplemental payment at the rate of 6.25 percent as if no allowance had been claimed.

Subd. 4. **Remuneration, when not "wages."** If the remuneration paid by an employer to an employee for services performed during one-half or more of any payroll period of not more than 31 consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such payroll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

Subd. 4a. **Tax withheld from nonresidents.** (1) **"Wages" paid to nonresident employees.** For the purposes of this section: The term "wages" means all remuneration taxable under this chapter including all remuneration paid to a nonresident employee for services performed in this state.

(2) **"Employer," "wages" and "employee" concerning nonresidents.** Notwithstanding any other provision of this section, under rules to be prescribed by the commissioner of revenue, for purposes of this

section any person having control, receipt, custody, disposal or payment of compensation taxable under this chapter and earned by a nonresident for personal services, shall be deemed an employer, any compensation taxable under this chapter and earned by a nonresident for personal services shall be deemed wages, and a nonresident entitled to compensation taxable under this chapter and earned by the nonresident for personal services shall be deemed an employee.

When compensation for personal services is paid to a corporation in which all or substantially all of the shareholders are individual entertainers, performers or athletes who gave an entertainment or athletic performance in this state for which the compensation was paid, the compensation shall be deemed wages of the individual entertainers, performers or athletes and shall be subject to the provisions of this section. Advance payments of compensation for personal services to be performed in Minnesota shall be deemed wages and subject to the provisions of this section.

(3) **Nonresidents, employer's duty.** The employer of any employee domiciled in a state with which Minnesota has reciprocity under section 290.081 is not required to withhold under this chapter from the wages earned by such employee in this state if the employee annually submits to the employer an affidavit of residency in the form prescribed by the commissioner. The affidavit must be submitted by the later of

(i) 30 days after the employment date or

(ii) August 31 for calendar year 1987 and February 28 for subsequent calendar years.

Subd. 4b. **Withholding by partnerships.** (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding allowance certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than $1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year;

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property;

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code; or

(6) the partnership has elected to pay the pass-through entity tax under section 289A.08, subdivision 7a.

(e) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270C.63 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270C.67, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

Subd. 4c. **Withholding by S corporations.** (a) A corporation having a valid election in effect under section 290.9725 shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual shareholders their share of the corporation's income for the taxable year.

(b) The amount of tax withheld is determined by multiplying the amount of income allocable to Minnesota under section 290.17 by the highest rate used to determine the income tax liability of an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the shareholder submits a withholding allowance certificate under subdivision 5.

(c) Notwithstanding paragraph (a), a corporation is not required to deduct and withhold tax for a nonresident shareholder, if:

(1) the shareholder elects to have the tax due paid as part of the corporation's composite return under section 289A.08, subdivision 7;

(2) the shareholder has Minnesota assignable federal adjusted gross income from the corporation of less than $1,000;

(3) the corporation is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; or

(4) the S corporation has elected to pay the pass-through entity tax under section 289A.08, subdivision 7a.

(d) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a corporation is considered an employer.

Subd. 5. **Allowances.** (1) An employee receiving wages shall on any day be entitled to claim withholding allowances in a number not to exceed the number of withholding allowances that the employee claims and that are allowable pursuant to section 3402(f)(1) of the Internal Revenue Code for federal withholding purposes, except:

(i) the standard deduction amount for the purposes of section 3402(f)(1)(E) of the Internal Revenue Code shall be the amount calculated under section 290.0123;

(ii) the allowance amount for the purposes of section 3402(f)(1)(A) of the Internal Revenue Code shall be the amount calculated under section 290.0121, subdivision 1;

(iii) withholding allowances under sections 3402(f)(1)(C) and (D) of the Internal Revenue Code are not allowed;

(iv) estimated itemized deductions allowable under section 290.0122, but only if the employee's spouse does not have in effect a withholding certificate electing this allowance; and

(v) any additional allowances, at the discretion of the commissioner, that are in the best interests of determining the proper amount to withhold for the payment of taxes under this chapter.

(2) **Withholding allowance certificate.** The provisions concerning allowance certificates contained in section 3402(f)(2) and (3) of the Internal Revenue Code shall apply.

(3) **Form of certificate.** Withholding allowance certificates shall be in such form and contain such information as the commissioner may by rule prescribe.

Subd. 5a. **Verification of withholding allowances; appeal.** (a) An employer shall submit to the commissioner a copy of any withholding allowance certificate or any affidavit of residency received from an employee on which the employee claims any of the following:

(1) a total number of withholding allowances in excess of ten or a number prescribed by the commissioner, or

(2) a status that would exempt the employee from Minnesota withholding, including where the employee is a nonresident exempt from withholding under subdivision 4a, clause (3), except where the employer reasonably expects, at the time that the certificate is received, that the employee's wages under subdivision 1 from the employer will not then usually exceed $200 per week, or

(3) any number of withholding allowances which the employer has reason to believe is in excess of the number to which the employee is entitled.

(b) Copies of allowance certificates and affidavits of residency required to be submitted by paragraph (a) shall be submitted to the commissioner within 30 days after receipt by the employer unless the employer is also required by federal law to submit copies to the Internal Revenue Service, in which case the employer may elect to submit the copies to the commissioner at the same time that the employer is required to submit them to the Internal Revenue Service.

(c) An employer who submits a copy of a withholding allowance certificate in accordance with paragraph (a) shall honor the certificate until notified by the commissioner that the certificate is invalid. The commissioner shall mail a copy of any such notice to the employee. Upon notification that a particular certificate is invalid, the employer shall not honor that certificate or any subsequent certificate unless instructed to do so by the commissioner. The employer shall allow the employee the number of allowances and compute the withholding tax as instructed by the commissioner in accordance with paragraph (d).

(d) The commissioner may require an employee to verify entitlement to the number of allowances or to the exempt status claimed on the withholding allowance certificate or, to verify nonresidency. The employee shall be allowed at least 30 days to submit the verification, after which time the commissioner shall, on the basis of the best information available to the commissioner, determine the employee's status and allow the employee the maximum number of withholding allowances allowable under this chapter. The commissioner shall mail a notice of this determination to the employee at the address listed on the allowance certificate in question or to the last known address of the employee. Pursuant to section 270B.06, the commissioner may notify the employer of this determination and instruct the employer to withhold tax in accordance with the determination.

However, where the commissioner has reasonable grounds for believing that the employee is about to leave the state or that the collection of any tax due under this chapter will be jeopardized by delay, the commissioner may immediately notify the employee and the employer, pursuant to section 270B.06, that the certificate is invalid, and the employer must not honor that certificate or any subsequent certificate unless instructed to do so by the commissioner. The employer shall allow the employee the number of allowances and compute the withholding tax as instructed by the commissioner.

(e) The commissioner's determination under paragraph (d) shall be appealable to Tax Court in accordance with section 271.06, and shall remain in effect for withholding tax purposes pending disposition of any appeal.

Subd. 6. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 6a. [Renumbered 270C.60]

Subd. 6b. MS 2004 [Repealed, 2005 c 151 art 1 s 117]

Subd. 7. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 8. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 9. **Determination of tax due.** The commissioner may grant permission to employers, or persons withholding tax under section 290.923, subdivision 2, who do not desire to use the withholding tax tables provided in accordance with paragraph (3) of subdivision 2a, or section 290.923, subdivision 2, to determine the amount of tax to be withheld by use of a method of withholding other than withholding tax tables, provided such method will withhold from each employee or person receiving royalty payments substantially the same amount of tax as would be withheld by use of the withholding tax tables. Employers, or persons withholding tax under section 290.923, subdivision 2, who desire to determine the amount of tax to be withheld by a method other than by use of the withholding tax tables shall obtain permission from the commissioner before the beginning of a payroll period for which the employer, or person withholding tax under section 290.923, subdivision 2, desires to withhold the tax by such other method. Applications to use such other method must be accompanied by evidence establishing the need for the use of such method.

Subd. 10. **Remuneration, not in cash.** In the case of remuneration paid in any medium other than cash for services performed by an individual as a retail salesperson for a person, where the service performed by such individual for such person is ordinarily performed for remuneration solely by way of cash commission an employer shall not be required to deduct or withhold any tax under this section with respect to such remuneration, provided that such employer files with the commissioner such information with respect to such remuneration as the commissioner may by rule prescribe.

Subd. 11. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 12. **Withheld amount, credit against tax.** (a) The amount deducted and withheld as tax under subdivision 2a or 3 during a calendar year upon wages shall be allowed as a credit to the recipient of the income against the taxes imposed by this chapter, for a taxable year beginning in such calendar year. If more than one taxable year begins in such calendar year, such amount shall be allowed as a credit against the taxes for the last taxable year so beginning.

(b) The amount deducted and withheld under subdivisions 4b and 4c and under section 290.923, subdivision 2, for partnership, S corporation, or royalty income must be allowed as a credit to the recipient of the income against the taxes imposed by this chapter for the tax year the income is subject to tax under this chapter.

Subd. 13. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 14. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 15. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 16. **Agreement with secretary of treasury.** The commissioner is authorized to enter into an agreement with the secretary of treasury of the United States pursuant to the provisions of United States Code, title 5, section 5517.

Subd. 17. **Reciprocal arrangement with other states.** The commissioner may enter into an agreement with the commissioner or other taxing officials of another state for the interpretation and administration of the acts of their several states providing for the collection of income tax at source on wages for the purpose of promoting fair and equitable administration of such acts and to eliminate duplicate withholding. Pursuant to section 270B.12, subdivision 1, the commissioner may furnish information on a reciprocal basis to the taxing officials of another state in order to implement the purposes set forth above.

Subd. 18. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 19. **Employees incurring no income tax liability.** Notwithstanding any other provision of this section, except the provisions of subdivision 5a, an employer is not required to deduct and withhold any tax under this chapter from wages paid to an employee if:

(1) the employee furnished the employer with a withholding allowance certificate that:

(i) certifies the employee incurred no liability for income tax imposed under this chapter for the employee's preceding taxable year;

(ii) certifies the employee anticipates incurring no liability for income tax imposed under this chapter for the current taxable year; and

(iii) is in a form and contains any other information prescribed by the commissioner; or

(2)(i) the employee is not a resident of Minnesota when the wages were paid; and

(ii) the employer reasonably expects that the employer will not pay the employee enough wages assignable to Minnesota under section 290.17, subdivision 2, paragraph (a)(1), to meet the nonresident requirement to file a Minnesota individual income tax return for the taxable year under section 289A.08, subdivision 1, paragraph (a).

Subd. 20. **Miscellaneous withholding arrangements.** (a) For purposes of this subdivision:

(1) "periodic payment" means a payment as defined under section 3405(e)(2) of the Internal Revenue Code;

(2) "nonperiodic distribution" means a distribution as defined under section 3405(e)(3) of the Internal Revenue Code; and

(3) "sick pay" means any amount which:

(i) is paid to an employee pursuant to a plan to which the employer is a party; and

(ii) constitutes remuneration or a payment in lieu of remuneration for any period during which the employee is temporarily absent from work on account of sickness or personal injuries.

(b) For purposes of this section, any periodic payment or nonperiodic distribution to an individual shall be treated as if it were a payment of wages by an employer to an employee for a payroll period, and it is subject to withholding at a rate of 6.25 percent or any rate specified by the recipient. Any payment to an individual of sick pay which does not constitute wages, determined without regard to this subdivision, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period, if, at the time the payment is made a request that such sick pay be subject to withholding under this section is in effect.

(c) A request for withholding, the amount withheld, and sick pay paid pursuant to certain collective bargaining agreements shall conform with the provisions of section 3402(o)(3), (4), and (5) of the Internal Revenue Code.

(d) The commissioner is authorized by rules to provide for withholding:

(1) from remuneration for services performed by an employee for the employer which, without regard to this subdivision, does not constitute wages, and

(2) from any other type of payment with respect to which the commissioner finds that withholding would be appropriate under the provisions of this section, if the employer and the employee, or in the case of any other type of payment the person making and the person receiving the payment, agree to such withholding. Such agreement shall be made in such form and manner as the commissioner may by rules provide. For purposes of this section remuneration or other payments with respect to which such agreement is made shall be treated as if they were wages paid by an employer to an employee to the extent that such remuneration is paid or other payments are made during the period for which the agreement is in effect.

(e) An individual receiving a periodic payment or nonperiodic distribution under paragraph (b) may elect to have paragraph (b) not apply to the payment or distribution, and an election remains in effect until revoked by such individual.

Subd. 21. **Notice to unemployment benefits claimants.** At the time an individual makes a claim for unemployment benefits, the commissioner of employment and economic development must notify the individual that the individual's unemployment benefits may be subject to state income taxes depending on the individual's other income.

Subd. 22. MS 2004 [Repealed, 2005 c 151 art 1 s 117]

Subd. 23. MS 2004 [Repealed, 2005 c 151 art 1 s 117]

Subd. 24. **Application for account number.** An employer, or person withholding tax under section 290.923, desiring to engage in business in Minnesota shall file with the commissioner an application for a

withholding account number on or before the date the employer is required to withhold Minnesota taxes under this section. An application for an account number must be made upon a form prescribed by the commissioner. It must give the name of the employer or payor, the location of the place or places of business, the names, addresses and Social Security numbers of the owners or partners, or if the employer or payor is a corporation of the officers, or if the employer or payor is a trust of the trustees, and other information the commissioner may require. The application must be filed by the owner if the employer or payor is a natural person; by a member or partner if the employer or payor is an association or partnership; by a trustee if the employer or payor be a trust, or by a person authorized to sign the application if the employer or payor is a corporation.

No fee shall be charged for the application.

The account number is not assignable.

Subd. 25. **Delegation of duty of employer or payor.** The delegation to an agent, fiduciary, or employee of an employer, or person withholding tax under section 290.923, of any duty prescribed for the employer or payor by this section shall not relieve the employer or payor of full compliance with such duty.

Subd. 26. **Extension of withholding to certain payments where identifying number not furnished or inaccurate.** (a) If, in the case of any reportable payment, (1) the payee fails to furnish the payee's Social Security account number to the payor, (2) the payee is subject to federal backup withholding on the reportable payment under section 3406 of the Internal Revenue Code, or (3) the commissioner notifies the payor that the Social Security account number furnished by the payee is incorrect, then the payor shall deduct and withhold from the payment a tax equal to the amount of the payment multiplied by the highest rate used in determining the income tax liability of an individual under section 290.06, subdivision 2c.

(b)(1) In the case of any failure described in paragraph (a), clause (1), paragraph (a) shall apply to any reportable payment made by the payor during the period during which the Social Security account number has not been furnished.

(2) In any case where there is a notification described in paragraph (a), clause (3), paragraph (a) shall apply to any reportable payment made by the payor (i) after the close of the 30th day after the day on which the payor received the notification, and (ii) before the payee furnishes another Social Security account number.

(3)(i) Unless the payor elects not to have this clause apply with respect to the payee, paragraph (a), clause (1), shall also apply to any reportable payment made after the close of the period described in clause (1) or (2), as the case may be, and before the 30th day after the close of the period.

(ii) If the payor elects the application of this clause with respect to the payee, paragraph (a) shall also apply to any reportable payment made during the 30-day period described in clause (2).

(iii) The payor may elect a period shorter than the grace period set forth in item (i) or (ii), as the case may be.

(c) The provisions of section 3406 of the Internal Revenue Code shall apply and shall govern when withholding shall be required and the definition of terms. The term "reportable payment" shall include only those payments for personal services. No tax shall be deducted or withheld under this subdivision with respect to any amount for which withholding is otherwise required under this section. For purposes of this section, payments which are subject to withholding under this subdivision shall be treated as if they were wages paid by an employer to an employee and amounts deducted and withheld under this subdivision shall be treated as if deducted and withheld under subdivision 2a.

(d) Whenever the commissioner notifies a payor under this subdivision that the Social Security account number furnished by any payee is incorrect, the commissioner shall at the same time furnish a copy of the notice to the payor, and the payor shall promptly furnish the copy to the payee. If the commissioner notifies a payor under this subdivision that the Social Security account number furnished by any payee is incorrect and the payee subsequently furnishes another Social Security account number to the payor, the payor shall promptly notify the commissioner of the other Social Security account number furnished.

Subd. 27. **Pari-mutuel winnings.** Any holder of a class A, B, or D license issued by the Minnesota Racing Commission shall deduct and withhold an amount equal to the winnings multiplied by the highest rate used in determining the income tax liability of an individual under section 290.06, subdivision 2c, as Minnesota withholding tax. For purposes of this subdivision, the term "winnings which are subject to withholding" has the meaning given in section 3402(q)(3) of the Internal Revenue Code. For purposes of the provisions of this section, a payment to any person of winnings which are subject to withholding must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment of winnings which are subject to withholding shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment and of each person entitled to any portion of such payment. The license holder is liable for the payment of the tax required to be withheld under this subdivision and subdivision 28 but is not liable to any person for the amount of the payment.

Subd. 28. **Payments to horse racing license holders.** Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission who makes a payment for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the payment and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds $600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of subdivision 4a and section 290.17, subdivision 2, paragraph (a), clause (2), item (ii).

Subd. 29. **Lottery prizes.** 7.25 percent of the payment of Minnesota State Lottery winnings which are subject to withholding must be withheld as Minnesota withholding tax. For purposes of this subdivision, the term "winnings which are subject to withholding" has the meaning given in section 3402(q)(3) of the Internal Revenue Code. For purposes of the provisions of this section, a payment to any person of winnings which are subject to withholding must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment of winnings which are subject to withholding shall furnish the State Lottery with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment. The Minnesota State Lottery is liable for the payment of the tax required to be withheld under this subdivision but is not liable to any person for the amount of the payment.

Subd. 30. **Registration; third-party bulk filer.** (a) For purposes of this subdivision, the following terms have the meanings given:

(1) Notwithstanding section 290.01, "person" means an individual, fiduciary, partnership, corporation, limited liability company, association, or other entity organized under the laws of this state or any other jurisdiction.

(2) "Third-party bulk filer" means a person who has custody or control over another employer's funds for the purpose of filing returns and depositing the withheld taxes of the other employer with the commissioner.

(b) A person shall not act as a third-party bulk filer unless the person is registered with the commissioner under this subdivision.

(c) A person may apply to the commissioner, on a form prescribed by the commissioner, for registration as a third-party bulk filer under this subdivision, and the commissioner shall grant the application if the application indicates that the person will comply with this subdivision.

(d) A third-party bulk filer must:

(1) keep client funds held for payment of federal or state withholding taxes or other client obligations in an account separate from the third-party bulk filer's own funds;

(2) permit the commissioner to conduct scheduled or unscheduled audits of the third-party bulk filer's books and records relating to compliance with this subdivision and fully cooperate with the audits or, at the discretion of the commissioner, submit an audit conducted by a certified public accountant;

(3) file returns electronically and make deposits electronically with the commissioner in compliance with the commissioner's requirements for electronic filing and depositing;

(4) provide to the commissioner at least monthly, in the form requested by the commissioner, an updated client list that includes at least the name, address, tax identification number, and federal deposit frequency of each client. The address listed for the client must be the client's actual street or post office box address and not the third-party bulk filer's address;

(5) disclose in writing to prospective clients that:

(i) the third-party bulk filer may invest client funds prior to depositing them with the commissioner and with the Internal Revenue Service and that earnings from those investments will be the property of the third-party bulk filer;

(ii) if the third-party bulk filer incurs losses on those investments or uses the client's funds for other purposes, the third-party bulk filer will still be liable to the client for the amounts withheld but will be able to make required tax deposits on behalf of the client only by using the third-party bulk filer's own funds or other assets to replace the funds lost through the investments or used for other purposes; and

(iii) no state or federal agency monitors or assumes any responsibility for the financial solvency of third-party bulk filers;

(6) timely file all returns and timely make all tax deposits required under its contracts with its clients;

(7) upon request, provide to the commissioner, within the time specified in the request, a copy of any contract with a client; and

(8) comply with all other requirements of this section or of rules adopted under this section.

(e) When the commissioner sends an order of assessment issued under section 270C.33, in either paper or electronic form, to a third-party bulk filer regarding a client, the commissioner shall also send a paper copy of the order of assessment to the client.

(f) If the commissioner determines that a required deposit appears not to have been made, the commissioner shall send a written notice of the delinquency, in electronic or paper form, to the third-party bulk filer, and a copy to the client as required under paragraph (e).

(g) If the commissioner determines that a required deposit has not been made, and that continued operation of the third-party bulk filer would present a risk of loss to its clients, the commissioner may, upon ten business days' written notice by certified mail to the third-party bulk filer, suspend the registration of the third-party bulk filer for an indefinite period, and notify the third-party bulk filer's clients that the registration has been suspended. A registration may not be suspended if the failure to make a deposit was caused by the client's failure to deposit funds or provide the information necessary to calculate appropriate tax withholding payments. The commissioner shall, upon request, provide the third-party bulk filer with the opportunity for an administrative appeal under section 270C.35, subdivisions 1, 4, and 10, prior to suspension; the hearing, if any, on the administrative appeal must occur within the ten-day period unless the commissioner, in the commissioner's sole discretion, agrees to delay the suspension to permit a later hearing. The 60-day period specified in section 270C.35, subdivision 4, does not apply to a proceeding under this paragraph. Within 30 days after the beginning of a suspension under this paragraph, the commissioner may commence a proceeding to suspend or revoke under paragraph (h); if the commissioner fails to do so, the suspension under this paragraph terminates.

(h) If the commissioner determines, in compliance with paragraph (i), that a third-party bulk filer has violated this section without reasonable cause or is no longer eligible for registration under this subdivision, the commissioner may suspend or revoke the third-party bulk filer's registration or may assess a civil penalty upon the third-party bulk filer, not to exceed $5,000 per violation. A suspension of registration may be for any period of less than six months and may include conditions for reinstatement. If the commissioner revokes the registration, the third-party bulk filer may not apply for reregistration for six months after the revocation. If the commissioner suspends or revokes a registration, the commissioner shall notify the former registrant's clients that the registration has been suspended or revoked. If the commissioner assesses a civil penalty, the commissioner shall not notify the third-party bulk filer's clients of the assessment.

(i) Prior to a suspension, revocation, or assessment of a civil penalty under paragraph (h), the commissioner shall first provide 30 days' written notice to the third-party bulk filer, specifying the violations and informing the third-party bulk filer that the commissioner intends, based upon those violations, to take action against the third-party bulk filer as permitted under this paragraph and paragraph (h). The notice shall advise the third-party bulk filer of the right to contest the suspension, revocation, or assessment of a civil penalty and of the general procedures for a contested case hearing under chapter 14. The notice may be served personally or by mail in the manner prescribed for service of an order of assessment issued under section 270C.33. A suspension or revocation of registration under this paragraph is effective when the commissioner serves a notice of suspension or revocation upon the third-party bulk filer after 30 days have passed following the date of the notice of intent to suspend or revoke without the third-party bulk filer requesting a hearing. If a hearing is timely requested and held, the suspension or revocation is effective upon service by the commissioner of an order of suspension or revocation under section 14.62, subdivision 1.

(j) A third-party bulk filer may terminate its registration by written notice to the commissioner, but the termination does not affect the commissioner's authority to begin or continue a proceeding to take action permitted under paragraph (h). The commissioner shall notify the third-party bulk filer's clients of a termination of registration under this paragraph.

(k) The commissioner shall remind employers at least annually, through the department's regular informational publications that it sends to employers, that employers may telephone the department to determine whether a required filing or deposit has been made by a third-party bulk filer.

Subd. 31. MS 2010 [Repealed, 2012 c 295 art 2 s 13]

History: *1961 c 213 art 1 s 1; Ex1961 c 91 art 2 s 1-3,7; 1963 c 355 s 15-17; 1963 c 666 s 1,2; 1965 c 464 s 2; 1965 c 884 art 1 s 7; 1967 c 42 s 2; 1967 c 587 s 1; 1967 c 902 s 1; Ex1967 c 32 art 14 s 11; 1969 c 97 s 5; 1969 c 325 s 7-9; 1969 c 326 s 1; 1969 c 399 s 29,30; 1969 c 654 s 1; 1971 c 55 s 2; 1971 c 147 s 1,2; 1971 c 510 s 1; 1971 c 514 s 1; 1971 c 729 s 1; 1971 c 769 s 2; Ex1971 c 31 art 18 s 5; 1973 c 73 s 1-8; 1973 c 492 s 14; 1973 c 501 s 4-12; 1973 c 582 s 3; 1973 c 711 s 3; 1974 c 60 s 1; 1975 c 349 s 21,22,29; 1975 c 377 s 14,15; 1976 c 2 s 110; 1976 c 181 s 2; 1977 c 111 s 1,2; 1977 c 258 s 1; 1977 c 386 s 8; 1978 c 766 s 8; 1980 c 419 s 31-34; 1980 c 607 art 1 s 32; 1981 c 13 s 1; 1981 c 60 s 21; 1981 c 178 s 104-107; 1981 c 343 s 24-29; 1Sp1981 c 4 art 2 s 29; 1982 c 523 art 1 s 51-55; art 2 s 36-38; art 28 s 4; art 40 s 10,14; 1983 c 15 s 27; 1983 c 180 s 12,13; 1983 c 207 s 30-33,43; 1983 c 247 s 123; 1983 c 294 s 3; 1983 c 342 art 1 s 37-39,43; 1984 c 502 art 2 s 13,14; 1984 c 514 art 1 s 6,8; 1985 c 101 s 13,14; 1985 c 210 art 1 s 12-15; 1985 c 248 s 70; 1Sp1985 c 14 art 1 s 53-56; art 15 s 7,8; art 16 s 4; art 21 s 42,49; 1986 c 444; 1986 c 446 s 3; 1Sp1986 c 1 art 1 s 9; art 3 s 18; 1987 c 268 art 1 s 105-110,126; art 9 s 11-20; art 17 s 18; 1988 c 719 art 1 s 17-19; art 3 s 12; 1989 c 28 s 19,20,25; 1989 c 184 art 2 s 23-25; 1Sp1989 c 1 art 10 s 34-36; 1990 c 480 art 1 s 29-32; art 2 s 16; art 5 s 7,8; 1990 c 516 s 9; 1990 c 604 art 2 s 16; 1991 c 199 art 2 s 1; 1991 c 233 s 109; 1991 c 291 art 6 s 34-39,46; art 16 s 11; 1992 c 511 art 6 s 19; 1993 c 137 s 9; 1993 c 375 art 8 s 14; 1994 c 483 s 1; 1994 c 488 s 8; 1994 c 587 art 1 s 24; 1995 c 202 art 1 s 25; 1995 c 264 art 10 s 12; art 13 s 13; 1997 c 31 art 1 s 17; 1997 c 231 art 5 s 10; 1998 c 300 art 1 s 8; 1999 c 107 s 66; 2000 c 343 s 4; 2000 c 490 art 4 s 29-32; 1Sp2001 c 5 art 7 s 43; 2004 c 206 s 52; 2005 c 151 art 2 s 17; art 6 s 18; art 9 s 20; 2008 c 154 art 3 s 8; 2008 c 366 art 12 s 6,7; 2018 c 182 art 1 s 77; 1Sp2019 c 6 art 1 s 59,60; art 13 s 2; 1Sp2021 c 14 art 3 s 7,8; art 12 s 4-12; 2023 c 64 art 16 s 3*

290.9201 TAX ON NONRESIDENT ENTERTAINERS.

Subdivision 1. **Definitions.** (a) "Entertainer" means an individual who is not a resident of Minnesota or a state with which Minnesota has a reciprocal agreement under section 290.081 who performs acts in Minnesota that amuse, entertain, or inform. For purposes of this section, "entertainer" includes, but is not limited to, a musician, singer, dancer, comedian, thespian, athlete, and public speaker.

(b) Entertainment entity means either: (1) an entertainer who is paid compensation for providing entertainment as an independent contractor, (2) a partnership that is paid compensation for entertainment provided by entertainers who are partners, or (3) a corporation that is paid compensation for entertainment provided by entertainers who are shareholders of the corporation.

Subd. 2. **Tax on entertainment.** Entertainment entities are subject to a tax in the amount of two percent of the total compensation received by them during the calendar year for entertainment performed in Minnesota.

Subd. 3. MS 2010 [Repealed, 1Sp2011 c 7 art 1 s 13]

Subd. 4. MS 1989 Supp [Repealed, 1990 c 480 art 1 s 45]

Subd. 5. MS 1989 Supp [Repealed, 1990 c 480 art 1 s 45]

Subd. 6. **Exemption from income tax.** Compensation subject to the tax imposed under this section is not assignable to Minnesota under section 290.17.

Subd. 7. **Withholding on compensation of entertainers.** The tax on compensation of an entertainer must be withheld at a rate of two percent of all compensation paid to the entertainment entity by the person or corporation having legal control of the payment of the compensation. The compensation subject to withholding under this section is not subject to the withholding provisions of section 290.92, subdivision 2a, 3, or 28, except the provisions of sections 270C.02, subdivision 2, paragraph (b), 270C.60, 289A.09, subdivisions 1, paragraph (f), and 2, 289A.60, and 289A.63 shall apply to withholding under this section as if the withholding were upon wages.

Subd. 8. **Deposit of entertainer withholding.** The person or corporation having legal control of the payment of compensation taxable under this section shall deposit the earnings tax with the commissioner.

Subd. 9. MS 1989 Supp [Repealed, 1990 c 480 art 1 s 45]

Subd. 10. MS 1989 Supp [Repealed, 1990 c 480 art 1 s 45]

Subd. 11. **Exemption from withholding and tax.** (a) Subdivisions 7 and 8 do not apply to:

(1) compensation paid to nonresident public speakers, if the compensation paid to the speaker is less than $2,000 or is only a payment of the speaker's expenses; or

(2) compensation paid to an entertainment entity if the compensation paid to the entertainment entity is less than $600.

(b) Compensation paid to a public speaker or an entertainment entity that is not subject to withholding tax under this subdivision is not subject to tax under subdivision 2 unless the total compensation received by the public speaker or entertainment entity in the tax year exceeds the individual income tax filing requirements for a nonresident individual under section 289A.08, subdivision 1, paragraph (a), clause (1).

History: *1989 c 28 s 21; 1990 c 480 art 1 s 33,34; 1990 c 604 art 2 s 14; 1992 c 511 art 6 s 15; 1993 c 13 art 2 s 8; 1995 c 264 art 10 s 13; 2005 c 151 art 2 s 17; 1Sp2011 c 7 art 1 s 2*

290.921 MS 1976 [Repealed, 1978 c 721 art 5 s 1]

290.922 MS 1976 [Repealed, 1978 c 721 art 5 s 1]

290.923 TAX WITHHELD ON ROYALTIES UPON ORE.

Subdivision 1. **Definition.** In this section, "royalty" means the amount in money or value of property received by any person having any right, title, or interest in any tract of land in this state for permission to explore, mine, take out, and remove ore from the land.

Subd. 2. **Collection at source.** (a) Every person making payment of royalties shall deduct and withhold upon the royalties a tax as provided in this section.

(b) The amount of tax to be withheld shall be based upon tables to be prepared and distributed by the commissioner. The tables must be computed for several permissible withholding periods and shall take into account any exemptions allowed under this chapter. The amounts computed for withholding shall be such that the amount withheld for any person during the person's taxable year shall approximate in the aggregate as closely as possible the tax levied and imposed under this chapter for that taxable year upon the person's income subject to tax.

Subd. 3. **Returns; deposits.** Every person who is required to deduct and withhold tax under subdivision 2 shall file returns and make deposits as required under sections 289A.09 and 289A.20, subdivision 2.

Subd. 4. **Withholding statement.** Every person required to deduct and withhold tax under this section shall furnish withholding statements as required by section 289A.09, subdivision 2.

Subd. 5. **Payor liable for tax withheld.** The payor shall be liable for the payment of tax required to be deducted and withheld under subdivision 2 and shall not be liable to any person for the amount of the payment.

Subd. 6. **Determination of tax due.** The commissioner may grant permission to payors who do not wish to use the withholding tax tables provided in accordance with subdivision 2, paragraph (b), in accordance with section 290.92, subdivision 9.

Subd. 7. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 8. **Records.** Every person liable for tax imposed by this section or for the collection of it shall be subject to the provisions of sections 270C.31 and 270C.32.

Subd. 9. **Payees incurring no income tax liability.** Notwithstanding any other provision of this section a payor shall not be required to deduct and withhold any tax under this chapter upon a payment of royalties to a payee if there is in effect with respect to the payment a withholding allowance certificate, in the form and containing the information prescribed by the commissioner, furnished to the payor by the payee certifying that the payee:

(1) incurred no liability for income tax imposed under this chapter for the payee's preceding taxable year; and

(2) anticipates incurring no liability for income tax under this chapter for the current taxable year.

The commissioner shall provide by rule for the coordination of the provisions of this subdivision with the provisions of subdivision 4.

Subd. 10. **Application for account number.** A payor desiring to engage in business in Minnesota shall file with the commissioner an application for a withholding account number in accordance with section 290.92, subdivisions 24 and 25.

Subd. 11. **Exemption from deduction and withholding.** A person or entity whose shares or certificates of beneficial interest are traded on the New York Stock Exchange or publicly traded on any recognized stock exchange and which issues 1099 or K1 forms to its shareholders or certificate holders and provides the 1099 or K1 information to the Department of Revenue, is exempt from deduction and withholding under this section.

History: *1987 c 268 art 9 s 21; 1990 c 480 art 1 s 46; 1992 c 511 art 6 s 16; 2018 c 182 art 1 s 78; 1Sp2021 c 14 art 12 s 13*

290.93 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.931 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.932 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.933 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.934 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.935 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.936 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.94 [Expired]

290.95 MS 1978 [Repealed, 1980 c 419 s 46]

290.96 MS 1978 [Repealed, 1980 c 419 s 46]

290.97 MS 2004 [Repealed, 2005 c 151 art 1 s 117]

290.9705 SURETY DEPOSITS REQUIRED FOR CONSTRUCTION CONTRACTS.

Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this section, "person" means a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota.

(b) A person who in the regular course of business is hiring, contracting, or having a contract with a nonresident person or a corporation or cooperative created or organized outside Minnesota, to perform construction work in Minnesota, shall deduct and withhold eight percent of payments made to the contractor if the value of the contract exceeds $50,000.

Subd. 2. MS 1988 [Repealed, 1990 c 480 art 1 s 45]

Subd. 3. **Waiver of withholding.** The conditions in subdivision 1 may be waived by the commissioner if (1) the contractor gives the commissioner a cash surety or a bond, secured by an insurance company licensed by Minnesota, conditioned that the contractor will comply with all applicable provisions of this chapter and chapter 297A, or (2) the contractor has done construction work in Minnesota at any time during the three calendar years prior to entering the contract and has fully complied with all the provisions of this chapter and chapter 297A for the three prior years.

Subd. 4. **Deposits used as surety for compliance with income and sales tax provisions.** The amounts deposited with the commissioner under subdivision 1 are considered a surety to guarantee payment of income, franchise, withholding, and sales and use taxes of the contractor. The commissioner shall retain the money deposited until the commissioner determines the contractor's liability for state income, franchise, sales and use taxes, and taxes withheld under section 290.92.

History: *1989 c 28 s 22; 1990 c 480 art 1 s 35; 1Sp2005 c 3 art 3 s 15; 2013 c 143 art 15 s 11; 2023 c 25 s 160; 2023 c 64 art 16 s 4*

290.971 Subdivision 1. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 2. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 3. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 4. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 5. MS 1980 [Repealed, 1980 c 607 art 1 s 33; 1981 c 344 s 4]

Subd. 6. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 7. MS 1981 Supp [Repealed, 1982 c 424 s 121; 1982 c 523 art 1 s 72]

290.972 Subdivision 1. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 2. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 3. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 4. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 5. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 6. MS 1980 [Repealed, 1981 c 344 s 4]

Subd. 7. MS 1978 [Repealed, 1980 c 419 s 46; 1981 c 344 s 4]

290.9725 S CORPORATION.

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code. An S corporation shall not be subject to the taxes imposed by this chapter, except the taxes imposed under sections 290.0922, 290.92, 290.9727, 290.9728, and 290.9729.

History: *1981 c 344 s 2; 1982 c 523 art 1 s 60; 1983 c 207 s 38,43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; 1Sp1985 c 14 art 21 s 49; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 113; 1988 c 719 art 2 s 46; 1989 c 28 s 25; 1990 c 604 art 2 s 15,16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1997 c 231 art 6 s 17; 1997 c 251 s 13; 1999 c 243 art 2 s 26; 1Sp2001 c 5 art 9 s 24*

290.9726 CORPORATION TAXABLE INCOME TAXED TO SHAREHOLDERS.

Subdivision 1. **General rule.** The gross income of the shareholders of corporations described in section 290.9725 shall be computed under the provisions of section 290.01, subdivision 20.

Subd. 2. **Character of items distributed or considered distributed.** The character of any item of income, gain, loss, or deduction included in shareholder's income, for the period of time that the shareholder is not a resident of Minnesota, shall be determined as if the item were realized directly from the source from which it was realized by the corporation or incurred in the same manner as incurred by the corporation.

Subd. 3. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 4. **Treatment of family groups.** Any amount of taxable income apportioned or allocated to a shareholder may be reapportioned or reallocated under the provisions of section 1366(e) of the Internal Revenue Code if the commissioner determines it necessary in order to correctly reflect the value of services rendered to the corporation by the shareholders.

Subd. 5. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 6. MS 1986 [Repealed, 1987 c 268 art 1 s 127]

Subd. 7. MS 2000 [Repealed, 1Sp2001 c 5 art 9 s 30]

History: *1982 c 523 art 1 s 61; 1983 c 207 s 39,40,43; 1983 c 342 art 1 s 43; 1984 c 514 art 1 s 8; art 4 s 9; 1985 c 210 art 2 s 8; 1Sp1985 c 14 art 21 s 49; 1986 c 444; 1Sp1986 c 1 art 1 s 9; 1987 c 268 art 1 s 114-116; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1999 c 243 art 2 s 27*

290.9727 TAX ON CERTAIN BUILT-IN GAINS.

Subdivision 1. **Tax imposed.** For an S corporation electing S corporation status pursuant to section 1362 of the Internal Revenue Code after December 31, 1986, and having a recognized built-in gain as defined in section 1374 of the Internal Revenue Code, there is imposed a tax on the taxable income of such S corporation, as defined in this section, at the rate prescribed by section 290.06, subdivision 1. This subdivision does not apply to any corporation having an S election in effect for each of its taxable years. An S corporation and any predecessor corporation must be treated as one corporation for purposes of the preceding sentence.

Subd. 1a. **Asset transfers.** In the case of the transfer of assets from a C corporation to an S corporation as described in section 1374(d)(8) of the Internal Revenue Code, a tax is imposed on the taxable income of the S corporation, as defined in this section, at the rate prescribed in section 290.06, subdivision 1.

Subd. 2. **Taxable income.** For purposes of this section, taxable income means taxable net income less the deduction for net operating loss carryforwards as provided by this section.

Subd. 3. **Taxable net income.** For purposes of this section, taxable net income means the lesser of:

(1) the recognized built-in gains of the S corporation for the taxable year, as determined under section 1374 of the Internal Revenue Code, subject to the modifications provided in section 290.0135, that are allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code, subject to the provisions of sections 290.0131 to 290.0135, that is allocable to this state under section 290.17, 290.191, or 290.20.

Subd. 4. **Net operating loss carryforward.** A net operating loss carryforward, as determined under section 290.095, arising in a taxable year before the corporation elected S corporation status, shall be allowed as a deduction against the lesser of the amounts referred to in subdivision 3, clauses (1) and (2). For purposes of determining the amount of any such loss that may be carried to later taxable years, the lesser of the amounts referred to in subdivision 3, clauses (1) and (2), shall be treated as taxable income.

Subd. 5. **Credit carryforward.** Any credit carryforward allowed under this chapter and arising in a taxable year in which the corporation was a C corporation is allowed as a credit against the tax imposed by this section.

History: *1988 c 719 art 2 s 47; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; art 7 s 21-24; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1997 c 231 art 6 s 18; 2003 c 2 art 1 s 32; 2016 c 158 art 3 s 24*

290.9728 TAX ON CAPITAL GAINS.

Subdivision 1. **Tax imposed.** There is imposed a tax on the taxable income of an S corporation that has:

(1) elected S corporation status pursuant to section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1986, before January 1, 1987;

(2) a net capital gain for the taxable year (i) in excess of $25,000 and (ii) exceeding 50 percent of the corporation's federal taxable income for the taxable year; and

(3) federal taxable income for the taxable year exceeding $25,000.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. For purposes of this section, "federal taxable income" means federal taxable income determined under section 1374(4)(d) of the Internal Revenue Code. This section does not apply to an S corporation which has had an election under section 1362 of the Internal Revenue Code of 1954, in effect for the three immediately preceding taxable years. This section does not apply to an S corporation that has been in existence for less than four taxable years and has had an election in effect under section 1362 of the Internal Revenue Code of 1954 for each of the corporation's taxable years. For purposes of this section, an S corporation and any predecessor corporation are treated as one corporation.

Subd. 2. **Taxable income.** For purposes of this section, taxable income means the lesser of:

(1) the amount of the net capital gain of the S corporation for the taxable year, as determined under sections 1222 and 1374 of the Internal Revenue Code, and subject to the modifications provided in section 290.0135, in excess of $25,000 that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, subject to the provisions of sections 290.0133 to 290.0135, that is allocable to this state under section 290.17, 290.191, or 290.20.

History: *1987 c 268 art 1 s 126; 1988 c 719 art 2 s 48; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 1997 c 231 art 6 s 19; 2003 c 2 art 1 s 33; 2014 c 308 art 9 s 70; 2016 c 158 art 3 s 25*

290.9729 TAX ON PASSIVE INVESTMENT INCOME.

Subdivision 1. **Tax imposed.** There is imposed a tax for the taxable year on the taxable income of an S corporation, if for the taxable year an S corporation has:

(1) subchapter C earnings and profits at the close of such taxable year; and

(2) gross receipts more than 25 percent of which are passive investment income.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. The terms "subchapter C earnings and profits," "passive investment income," and "gross receipts" have the same meanings as when used in sections 1362(d)(3) and 1375 of the Internal Revenue Code.

Subd. 2. **Taxable income.** For the purposes of this section, taxable income means the lesser of:

(1) the amount of the S corporation's excess net passive income, as determined under section 1375 of the Internal Revenue Code, subject to the provisions of sections 290.0133 to 290.0135, that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code, subject to the provisions of sections 290.0133 to 290.0135, that is allocable to this state under section 290.17, 290.191, or 290.20.

Subd. 3. **Waiver of tax.** The tax imposed by this section shall be waived if the taxpayer receives a waiver for federal income tax purposes under section 1375(d) of the Internal Revenue Code.

History: *1988 c 719 art 2 s 49; art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24; 2003 c 2 art 1 s 34; 2016 c 158 art 3 s 26*

290.973 MS 1980 [Repealed, 1982 c 523 art 1 s 72]

290.974 MS 1988 [Repealed, 1990 c 480 art 1 s 45]

290.9741 ELECTION BY REMIC.

An entity having a valid election as a Real Estate Mortgage Investment Conduit (REMIC) in effect under section 860D(b) of the Internal Revenue Code shall not be subject to the taxes imposed by this chapter except the tax imposed under section 290.92.

History: *1987 c 268 art 1 s 118; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24*

290.9742 REMIC INCOME TAXABLE TO HOLDERS OF INTERESTS.

The income of a REMIC is taxable to the holders of interests in the REMIC as provided in sections 860A to 860G of the Internal Revenue Code. The income of the holders must be computed under the provisions of this chapter.

History: *1987 c 268 art 1 s 119; 1988 c 719 art 3 s 12; 1989 c 28 s 25; 1990 c 604 art 2 s 16; 1991 c 291 art 6 s 46; 1992 c 511 art 6 s 19; 1993 c 375 art 8 s 14; 1994 c 587 art 1 s 24*

290.9743 MS 2016 [Repealed, 1Sp2017 c 1 art 17 s 5]

290.9744 MS 2016 [Repealed, 1Sp2017 c 1 art 17 s 5]

290.975 MS 1980 [Repealed, 1981 c 344 s 4]

290.981 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.982 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.983 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.984 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.985 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.986 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.987 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.988 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.989 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.99 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.991 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.992 MS 1976 [Repealed, 1977 c 423 art 2 s 20]

290.993 SPECIAL LIMITED ADJUSTMENT.

(a) For an individual, estate, or trust, or a partnership that elects to file a composite return under section 289A.08, subdivision 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the following special rules apply:

(1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual income tax purposes, regardless of the choice made on their federal return; and

(2) there is an adjustment to tax equal to the difference between the tax calculated under this chapter using the Internal Revenue Code as amended through December 16, 2016, and the tax calculated under this chapter using the Internal Revenue Code amended through December 31, 2018, before the application of credits. The end result must be zero additional tax due or refund.

(b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to sections 11012, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302, 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of Public Law 115-97; and section 40411 of Public Law 115-123.

History: *1Sp2019 c 6 art 1 s 61; 1Sp2021 c 14 art 12 s 14*