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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2968

03/14/2016 Authored by Marquart, Lien and Poppe  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to homeowner and renter property tax refunds; modifying the definition  
1.3 of income; amending Minnesota Statutes 2014, section 290A.03, subdivision 3.

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

1.5 Section 1. Minnesota Statutes 2014, section 290A.03, subdivision 3, is amended to read:

1.6 Subd. 3. **Income.** ~~(1)~~ (a) "Income" means the sum of the following:

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

1.8 ~~(b)~~ (2) the sum of the following amounts to the extent not included in clause (a):

1.9 (i) all nontaxable income;

1.10 (ii) the amount of a passive activity loss that is not disallowed as a result of section  
1.11 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity  
1.12 loss carryover allowed under section 469(b) of the Internal Revenue Code;

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

1.16 (iv) cash public assistance and relief;

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

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

1.24 (vii) workers' compensation;

- 2.1 (viii) nontaxable strike benefits;
- 2.2 (ix) the gross amounts of payments received in the nature of disability income or  
2.3 sick pay as a result of accident, sickness, or other disability, whether funded through  
2.4 insurance or otherwise;
- 2.5 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
2.6 1986, as amended through December 31, 1995;
- 2.7 (xi) contributions made by the claimant to an individual retirement account,  
2.8 including a qualified voluntary employee contribution; simplified employee pension plan;  
2.9 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)  
2.10 of the Internal Revenue Code; or deferred compensation plan under section 457 of the  
2.11 Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base  
2.12 amount for the claimant and spouse;
- 2.13 (xii) to the extent not included in federal adjusted gross income, distributions received  
2.14 by the claimant or spouse from a traditional or Roth style retirement account or plan;
- 2.15 (xiii) nontaxable scholarship or fellowship grants;
- 2.16 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue  
2.17 Code;
- 2.18 (xv) the amount of deduction allowed under section 220 or 223 of the Internal  
2.19 Revenue Code;
- 2.20 (xvi) the amount deducted for tuition expenses under section 222 of the Internal  
2.21 Revenue Code; and
- 2.22 (xvii) the amount deducted for certain expenses of elementary and secondary school  
2.23 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

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

2.29 ~~(2)~~ (b) "Income" does not include:

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

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

2.35 ~~(e)~~ (3) to the extent included in federal adjusted gross income, amounts contributed  
2.36 by the claimant or spouse to a traditional or Roth style retirement account or plan, but not

3.1 to exceed the retirement base amount reduced by the amount of contributions excluded  
 3.2 from federal adjusted gross income, but not less than zero;

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

3.4 ~~(e)~~ (5) relief granted under this chapter;

3.5 ~~(f)~~ (6) child support payments received under a temporary or final decree of  
 3.6 dissolution or legal separation; or

3.7 ~~(g)~~ (7) restitution payments received by eligible individuals and excludable interest  
 3.8 as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of  
 3.9 2001, Public Law 107-16.

3.10 ~~(3)~~ (c) The sum of the following amounts may be subtracted from income:

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

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

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

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

3.15 ~~(e)~~ (5) for the claimant's fifth dependent, the exemption amount; ~~and~~

3.16 (6) if the claimant was disabled or reached the age of 65 on or before December 31  
 3.17 of the year for which the taxes were levied or rent paid, the exemption amount multiplied  
 3.18 by 1.4; and

3.19 ~~(f) if the claimant or~~ (7) if the claimant's spouse was disabled or attained the age  
 3.20 of 65 on or before December 31 of the year for which the taxes were levied or rent paid,  
 3.21 the exemption amount multiplied by 1.4.

3.22 For purposes of this subdivision, the "exemption amount" means the exemption  
 3.23 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
 3.24 the income is reported; "retirement base amount" means the deductible amount for the  
 3.25 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal  
 3.26 Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal  
 3.27 Revenue Code, without regard to whether the claimant or spouse claimed a deduction;  
 3.28 and "traditional or Roth style retirement account or plan" means retirement plans under  
 3.29 sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

3.30 **EFFECTIVE DATE.** This section is effective for claims based on property taxes  
 3.31 payable in 2017 and rent paid in 2016 and following years.