SENATE

STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 2856

(SENATE AUTHORS: LITTLE)
DATE   D-PG   OFFICIAL STATUS
04/30/2019   Introduction and first reading
                    Referred to Taxes

1.1   A bill for an act

1.2   relating to taxation; individual income; modifying the calculation of tax for
1.3   nonresidents; amending Minnesota Statutes 2018, section 290.06, subdivision 2c,
1.4   by adding subdivisions.

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

1.6   Section 1. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

1.7   Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes

1.8   imposed by this chapter upon married individuals filing joint returns and surviving spouses

1.9   as defined in section 2(a) of the Internal Revenue Code must be computed by applying to

1.10   their taxable net income the following schedule of rates:

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

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

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

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

1.15   Married individuals filing separate returns, estates, and trusts must compute their income

1.16   tax by applying the above rates to their taxable income, except that the income brackets

1.17   will be one-half of the above amounts.

1.18   (b) The income taxes imposed by this chapter upon unmarried individuals must be

1.19   computed by applying to taxable net income the following schedule of rates:

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

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

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

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

2.3   (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as

2.4   a head of household as defined in section 2(b) of the Internal Revenue Code must be

2.5   computed by applying to taxable net income the following schedule of rates:

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

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

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

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

2.10   (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax

2.11   of any individual taxpayer whose taxable net income for the taxable year is less than an

2.12   amount determined by the commissioner must be computed in accordance with tables

2.13   prepared and issued by the commissioner of revenue based on income brackets of not more

2.14   than $100. The amount of tax for each bracket shall be computed at the rates set forth in

2.15   this subdivision, provided that the commissioner may disregard a fractional part of a dollar

2.16   unless it amounts to 50 cents or more, in which case it may be increased to $1.

2.17   (e) An individual who is not a Minnesota resident for the entire year, and who does not

2.18   meet the criteria under subdivision 2i for alternative calculation of nonresident income tax,

2.19   must compute the individual's Minnesota income tax as provided in this subdivision. After

2.20   the application of the nonrefundable credits provided in this chapter, the tax liability must

2.21   then be multiplied by a fraction in which:

2.22   (1) the numerator is the individual's Minnesota source federal adjusted gross income as

2.23   defined in section 62 of the Internal Revenue Code and increased by the additions required

2.24   under section 290.0131, subdivisions 2 and 6 to 11, and reduced by the Minnesota assignable

2.25   portion of the subtraction for United States government interest under section 290.0132,

2.26   subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10, 14, 15, 17,

2.27   and 18, after applying the allocation and assignability provisions of section 290.081, clause

2.28   (a), or 290.17; and

2.29   (2) the denominator is the individual's federal adjusted gross income as defined in section

2.30   62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131,

2.31   subdivisions 2 and 6 to 11, and reduced by the amounts specified in section 290.0132,

2.32   subdivisions 2, 9, 10, 14, 15, 17, and 18.

3.1   **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning

3.2   after December 31, 2017.

3.3   Sec. 2. Minnesota Statutes 2018, section 290.06, is amended by adding a subdivision to

3.4   read:

3.5   Subd. 2i. **Alternative calculation of tax for nonresidents.** (a) An individual who is not

3.6   a Minnesota resident for the entire year may compute the individual's Minnesota income

3.7   tax under this subdivision if the individual meets the requirements of paragraph (b).

3.8   (b) The taxpayer must elect to become a Minnesota resident for at least ..... taxable years

3.9   immediately following the taxable year in which the taxpayer is not a Minnesota resident.

3.10   The election must be made in a form prescribed by the commissioner and must include an

3.11   agreement by the taxpayer to pay the recapture tax under subdivision 2j if applicable.

3.12   (c) For nonresident taxpayers meeting the requirements of paragraph (b), the tax equals

3.13   the product of taxable net income multiplied by the fraction under clauses (1) and (2),

3.14   reduced by nonrefundable credits as provided in this chapter and multiplied by the rates as

3.15   provided in subdivision 2c:

3.16   (1) the numerator is the individual's Minnesota source federal adjusted gross income as

3.17   defined in section 62 of the Internal Revenue Code, and increased by the additions required

3.18   under section 290.0131, subdivisions 2, 6, 7, 8, 9, 10, and 11, and reduced by the Minnesota

3.19   assignable portion of the subtraction for United States government interest under section

3.20   290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10,

3.21   14, 15, 17, and 18, after applying the allocation and assignability provisions of section

3.22   290.081, paragraph (a), or 290.17; and

3.23   (2) the denominator is the individual's federal adjusted gross income as defined in section

3.24   62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131,

3.25   subdivisions 2, 6, 7, 8, 9, 10, and 11, and reduced by the amounts specified in section

3.26   290.0132, subdivisions 2, 9, 10, 14, 15, 17, and 18.

3.27   **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning

3.28   after December 31, 2017.

3.29   Sec. 3. Minnesota Statutes 2018, section 290.06, is amended by adding a subdivision to

3.30   read:

3.31   Subd. 2j. **Recapture tax.** (a) If an individual who used the alternative calculation of tax

3.32   for nonresidents in a tax year under subdivision 2i and does not retain Minnesota residency

4.1   for at least ..... of the immediately following taxable years after the taxable year in which

4.2   the alternative calculation was applied, a recapture tax is imposed.

4.3   (b) The recapture tax equals the difference between the tax imposed under subdivision

4.4   2i and the tax imposed under subdivision 2c, multiplied by ... percent.

4.5   (c) The recapture tax under this subdivision is due on the day required under section

4.6   289A.20, subdivision 1, for the taxable year immediately following the taxable year to

4.7   which the recapture tax applies.

4.8   **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning

4.9   after December 31, 2017.