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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4865

05/05/2022 Authored by Swedzinski
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; repealing the alternative minimum tax;
1.3 amending Minnesota Statutes 2020, sections 290.0136; 290.491; repealing
1.4 Minnesota Statutes 2020, section 290.091.

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

1.6 Section 1. Minnesota Statutes 2020, section 290.0136, is amended to read:

1.7 290.0136 CERTAIN PREFERRED STOCK LOSSES.

1.8 A taxpayer must compute net income by treating losses from the sale or transfer of
1.9 certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division
1.10 A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income
1.11 under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision
1.12 22; taxable income under section 290.01, subdivision 29; the numerator and denominator
1.13 in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable
1.14 income under section 290.091, subdivision 2; corporate alternative minimum taxable income
1.15 under section 290.0921, subdivision 3; and net operating losses under section 290.095 must
1.16 be computed for each taxable year as if those losses had been treated by the taxpayer as
1.17 capital losses under the Internal Revenue Code, including the limitations under section 1211
1.18 of the Internal Revenue Code.

1.19 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.20 31, 2021.

2.1 Sec. 2. Minnesota Statutes 2020, section 290.491, is amended to read:

2.2 **290.491 TAX ON GAIN; DISCHARGE IN BANKRUPTCY.**

2.3 (a) Any tax due under this chapter on a gain realized on a forced sale pursuant to  
 2.4 foreclosure of a mortgage or other security interest in agricultural production property, other  
 2.5 real property, or equipment, used in a farm business that was owned and operated by the  
 2.6 taxpayer shall be a dischargeable debt in a bankruptcy proceeding under United States Code,  
 2.7 title 11, section 727.

2.8 (b) Income realized on a sale or exchange of agricultural production property, other real  
 2.9 property, or equipment, used in a farm business that was owned and operated by the taxpayer  
 2.10 shall be exempt from taxation under this chapter, if the taxpayer was insolvent at the time  
 2.11 of the sale and the proceeds of the sale were used solely to discharge indebtedness secured  
 2.12 by a mortgage, lien, or other security interest on the property sold. For purposes of this  
 2.13 section, "insolvent" means insolvent as defined in section 108(d)(3) of the Internal Revenue  
 2.14 Code. This paragraph applies only to the extent that the gain is includable in federal taxable  
 2.15 income ~~or in the computation of the alternative minimum taxable income under section~~  
 2.16 ~~290.091 for purposes of the alternative minimum tax.~~ The amount of the exemption is limited  
 2.17 to the excess of the taxpayer's (1) liabilities over (2) the total assets and any exclusion  
 2.18 claimed under section 108 of the Internal Revenue Code determined immediately before  
 2.19 application of this paragraph.

2.20 (c) For purposes of this section, any tax due under this chapter specifically includes, but  
 2.21 is not limited to, tax imposed under sections 290.02 and 290.03 on income derived from a  
 2.22 sale or exchange, whether constituting gain, discharge of indebtedness, or recapture of  
 2.23 depreciation deductions, ~~or the alternative minimum tax imposed under section 290.091.~~

2.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 2.25 31, 2021.

2.26 Sec. 3. **REPEALER.**

2.27 Minnesota Statutes 2020, section 290.091, is repealed.

2.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 2.29 31, 2021.

**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)(2) 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 addition required by section 290.0131, subdivisions 9, 10, and 16;
  - (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, and 26 to 29;
    - (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.

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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 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

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(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).