

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 1895

(SENATE AUTHORS: NELSON)

DATE
02/20/2023

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; individual income and property tax refunds; allowing a
1.3 subtraction for all federally taxable Social Security income; reducing the first tier
1.4 income tax rate; increasing homestead credit state refunds; amending Minnesota
1.5 Statutes 2022, sections 290.0132, subdivision 26; 290.06, subdivisions 2c, 2d;
1.6 290A.04, subdivisions 2, 4.

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

1.8 Section 1. Minnesota Statutes 2022, section 290.0132, subdivision 26, is amended to read:

1.9 Subd. 26. **Social Security benefits.** (a) ~~A portion~~ The amount of taxable Social Security
1.10 benefits received by a taxpayer in the taxable year is allowed as a subtraction. The subtraction
1.11 equals the lesser of taxable Social Security benefits or a maximum subtraction subject to
1.12 the limits under paragraphs (b), (c), and (d).

1.13 ~~(b) For married taxpayers filing a joint return and surviving spouses, the maximum~~
1.14 ~~subtraction equals \$5,150. The maximum subtraction is reduced by 20 percent of provisional~~
1.15 ~~income over \$78,180. In no case is the subtraction less than zero.~~

1.16 ~~(c) For single or head-of-household taxpayers, the maximum subtraction equals \$4,020.~~
1.17 ~~The maximum subtraction is reduced by 20 percent of provisional income over \$61,080.~~
1.18 ~~In no case is the subtraction less than zero.~~

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

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

2.5 ~~(f) The commissioner shall adjust the maximum subtraction and threshold amounts in~~
 2.6 ~~paragraphs (b) to (d) as provided in section 270C.22. The statutory year is taxable year~~
 2.7 ~~2019. The maximum subtraction and threshold amounts as adjusted must be rounded to the~~
 2.8 ~~nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10~~
 2.9 ~~amount.~~

2.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.11 31, 2022.

2.12 Sec. 2. Minnesota Statutes 2022, section 290.06, subdivision 2c, is amended to read:

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

- 2.17 (1) On the first ~~\$38,770~~ \$43,950, ~~5.35~~ 2.8 percent;
- 2.18 (2) On all over ~~\$38,770~~ \$43,950, but not over ~~\$154,020~~ \$174,610, 6.8 percent;
- 2.19 (3) On all over ~~\$154,020~~ \$174,610, but not over ~~\$269,010~~ \$304,970, 7.85 percent;
- 2.20 (4) On all over ~~\$269,010~~ \$304,970, 9.85 percent.

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

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

- 2.26 (1) On the first ~~\$26,520~~ \$30,070, ~~5.35~~ 2.8 percent;
- 2.27 (2) On all over ~~\$26,520~~ \$30,070, but not over ~~\$87,110~~ \$98,760, 6.8 percent;
- 2.28 (3) On all over ~~\$87,110~~ \$98,760, but not over ~~\$161,720~~ \$183,340, 7.85 percent;
- 2.29 (4) On all over ~~\$161,720~~ \$183,340, 9.85 percent.

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

3.4 (1) On the first ~~\$32,650~~ \$37,010, ~~5.35~~ 2.8 percent;

3.5 (2) On all over ~~\$32,650~~ \$37,010, but not over ~~\$131,190~~ \$148,730, 6.8 percent;

3.6 (3) On all over ~~\$131,190~~ \$148,730, but not over ~~\$214,980~~ \$243,720, 7.85 percent;

3.7 (4) On all over ~~\$214,980~~ \$243,720, 9.85 percent.

3.8 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
3.9 of any individual taxpayer whose taxable net income for the taxable year is less than an
3.10 amount determined by the commissioner must be computed in accordance with tables
3.11 prepared and issued by the commissioner of revenue based on income brackets of not more
3.12 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
3.13 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
3.14 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

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

3.21 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and
3.22 17, and 290.0137, paragraph (a); and reduced by

3.23 (ii) the Minnesota assignable portion of the subtraction for United States government
3.24 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,
3.25 subdivisions 9, 10, 14, 15, 17, 18, and 27, and 290.0137, paragraph (c), after applying the
3.26 allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

3.27 (2) the denominator is the individual's federal adjusted gross income as defined in section
3.28 62 of the Internal Revenue Code, increased by:

3.29 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and
3.30 17, and 290.0137, paragraph (a); and reduced by

3.31 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, and
3.32 27, and 290.0137, paragraph (c).

4.1 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
4.2 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision
4.3 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
4.4 provided in paragraph (e), and also must include, to the extent attributed to the electing
4.5 qualifying entity:

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

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

4.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.11 31, 2022.

4.12 Sec. 3. Minnesota Statutes 2022, section 290.06, subdivision 2d, is amended to read:

4.13 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust
4.14 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed
4.15 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~
4.16 2023. The rate applicable to any rate bracket must not be changed. The dollar amounts
4.17 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
4.18 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
4.19 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the
4.20 rate bracket for married filing separate returns after this adjustment is done. The rate bracket
4.21 for married filing separate must be one-half of the rate bracket for married filing joint.

4.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.23 31, 2023.

4.24 Sec. 4. Minnesota Statutes 2022, section 290A.04, subdivision 2, is amended to read:

4.25 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes
4.26 payable are in excess of the percentage of the household income stated below shall pay an
4.27 amount equal to the percent of income shown for the appropriate household income level
4.28 along with the percent to be paid by the claimant of the remaining amount of property taxes
4.29 payable. The state refund equals the amount of property taxes payable that remain, up to
4.30 the state refund amount shown below.

			Percent Paid by Claimant	Maximum State Refund
5.1				
5.2				
5.3	Household Income	Percent of Income		
5.4	\$0 to 1,739		15	2,770
5.5	<u>2,090</u>	1.0 percent	<u>10</u> percent	\$ <u>3,830</u>
5.6	1,740 to 3,459		15	2,770
5.7	<u>2,091 to 4,160</u>	1.1 percent	<u>10</u> percent	\$ <u>3,830</u>
5.8	3,460 to 5,239		15	2,770
5.9	<u>4,161 to 6,300</u>	1.2 percent	<u>10</u> percent	\$ <u>3,830</u>
5.10	5,240 to 6,989		20	2,770
5.11	<u>6,301 to 8,400</u>	1.3 percent	<u>15</u> percent	\$ <u>3,830</u>
5.12	6,990 to 8,719		20	2,770
5.13	<u>8,401 to 10,480</u>	1.4 percent	<u>15</u> percent	\$ <u>3,830</u>
5.14	8,720 to 12,219		20	2,770
5.15	<u>10,481 to 14,680</u>	1.5 percent	<u>15</u> percent	\$ <u>3,830</u>
5.16	12,220 to 13,949		20	2,770
5.17	<u>14,681 to 16,760</u>	1.6 percent	<u>15</u> percent	\$ <u>3,830</u>
5.18	13,950 to 15,709		20	2,770
5.19	<u>16,761 to 18,880</u>	1.7 percent	<u>15</u> percent	\$ <u>3,830</u>
5.20	15,710 to 17,449		20	2,770
5.21	<u>18,881 to 20,970</u>	1.8 percent	<u>15</u> percent	\$ <u>3,830</u>
5.22	17,450 to 19,179		25	2,770
5.23	<u>20,971 to 23,040</u>	1.9 percent	<u>20</u> percent	\$ <u>3,830</u>
5.24	19,180 to 24,429		25	2,770
5.25	<u>23,041 to 29,350</u>	2.0 percent	<u>20</u> percent	\$ <u>3,830</u>
5.26	24,430 to 26,169		30	2,770
5.27	<u>29,351 to 31,440</u>	2.0 percent	<u>25</u> percent	\$ <u>3,830</u>
5.28	26,170 to 29,669		30	2,770
5.29	<u>31,441 to 35,650</u>	2.0 percent	<u>25</u> percent	\$ <u>3,830</u>
5.30	29,670 to 41,859		35	2,770
5.31	<u>35,651 to 50,290</u>	2.0 percent	<u>30</u> percent	\$ <u>3,830</u>
5.32	41,860 to 61,049		35	2,240
5.33	<u>50,291 to 73,350</u>	2.0 percent	<u>30</u> percent	\$ <u>3,190</u>
5.34	61,050 to 69,769		40	1,960
5.35	<u>73,351 to 83,830</u>	2.0 percent	<u>35</u> percent	\$ <u>2,850</u>
5.36	69,770 to 78,499		40	1,620
5.37	<u>83,831 to 94,320</u>	2.1 percent	<u>35</u> percent	\$ <u>2,450</u>
5.38	78,500 to 87,219		40	1,450
5.39	<u>94,321 to 104,790</u>	2.2 percent	<u>35</u> percent	\$ <u>2,240</u>
5.40	87,220 to 95,939		40	1,270
5.41	<u>104,791 to 115,270</u>	2.3 percent	<u>35</u> percent	\$ <u>2,030</u>
5.42	95,940 to 101,179		45	1,070
5.43	<u>115,271 to 121,570</u>	2.4 percent	<u>40</u> percent	\$ <u>1,790</u>
5.44	101,180 to 104,689		45	890
5.45	<u>121,571 to 125,780</u>	2.5 percent	<u>40</u> percent	\$ <u>1,570</u>

6.1	104,690 to 108,919		50	730
6.2	<u>125,781 to 130,870</u>	2.5 percent	<u>45 percent</u>	\$ <u>1,380</u>
6.3	108,920 to 113,149		50	540
6.4	<u>130,871 to 135,950</u>	2.5 percent	<u>45 percent</u>	\$ <u>1,150</u>
6.5	<u>135,951 to 145,000</u>	<u>2.5 percent</u>	<u>50 percent</u>	\$ <u>750</u>
6.6	<u>145,001 to 155,000</u>	<u>2.5 percent</u>	<u>50 percent</u>	\$ <u>250</u>

6.7 The payment made to a claimant shall be the amount of the state refund calculated under
 6.8 this subdivision. No payment is allowed if the claimant's household income is ~~\$113,150~~
 6.9 \$155,001 or more.

6.10 **EFFECTIVE DATE.** This section is effective beginning with refunds based on property
 6.11 taxes payable in 2024.

6.12 Sec. 5. Minnesota Statutes 2022, section 290A.04, subdivision 4, is amended to read:

6.13 Subd. 4. **Inflation adjustment.** The commissioner shall annually adjust the dollar
 6.14 amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a
 6.15 as provided in section 270C.22. The statutory year for the renter's credit under subdivision
 6.16 2a is 2018. The statutory year for the homestead credit refund is 2023.