

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 452

(SENATE AUTHORS: EKEN)

DATE
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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; providing a subtraction for foster child
 1.3 dependents; amending Minnesota Statutes 2018, sections 290.0132, by adding a
 1.4 subdivision; 290.091, subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
 1.7 to read:

1.8 Subd. 27. Foster child dependents. (a) An amount equal to the sum of the taxpayer's
 1.9 dependent foster child exemptions, less the disallowed exemption amount determined under
 1.10 paragraph (c), is a subtraction.

1.11 (b) A taxpayer's dependent foster child exemption equals \$4,150 for each individual
 1.12 who is a qualifying foster child.

1.13 (c) The disallowed exemption amount equals the sum of the taxpayer's dependent foster
 1.14 child exemptions multiplied by the applicable percentage. For a married individual filing a
 1.15 separate return, "applicable percentage" means two percentage points for each \$1,250, or
 1.16 fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable
 1.17 year exceeds the threshold amount. For all other filers, applicable percentage means two
 1.18 percentage points for each \$2,500, or fraction of that amount, by which the taxpayer's federal
 1.19 adjusted gross income for the taxable year exceeds the threshold amount. The applicable
 1.20 percentage must not exceed 100 percent.

1.21 (d) For purposes of this subdivision, the following definitions apply:

1.22 (1) "qualifying foster child" means an individual who:

2.1 (i) has the same principal place of abode as the taxpayer for at least one month of the
2.2 taxable year; and

2.3 (ii) is placed with the taxpayer by an authorized placement agency or by judgment,
2.4 decree, or other order of any court of competent jurisdiction; and

2.5 (2) "threshold amount" means:

2.6 (i) \$285,050 for a joint return or a surviving spouse;

2.7 (ii) \$237,550 for a head of a household;

2.8 (iii) \$190,050 for an individual who is not married and who is not a surviving spouse
2.9 or head of a household; and

2.10 (iv) \$142,500 for a married individual filing a separate return.

2.11 (e) The subtraction is not allowed for taxpayers who claim the exemption amount under
2.12 section 151(d) of the Internal Revenue Code for an eligible foster child as defined under
2.13 section 152(f) of the Internal Revenue Code.

2.14 (f) For taxable years beginning after December 31, 2019, the commissioner must adjust
2.15 the amounts in paragraphs (b), (c), and (d) for inflation by the percentage determined under
2.16 paragraph (g). The commissioner must round the amounts to the nearest \$50 amounts. If
2.17 the amounts end in \$25, the commissioner must round them up to the nearest \$50 amounts.

2.18 (g) The commissioner must adjust the amounts in this subdivision using the Consumer
2.19 Price Index for All Urban Consumers. For 2020, the commissioner must determine the
2.20 percent change from the 12 months ending on August 31, 2018, to the 12 months ending
2.21 on August 31, 2019, and in each subsequent year, from the 12 months ending on August
2.22 31, 2018, to the 12 months ending on August 31 of the year preceding the taxable year.

2.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.24 31, 2018.

2.25 Sec. 2. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

2.26 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
2.27 terms have the meanings given.

2.28 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
2.29 year:

2.30 (1) the taxpayer's federal alternative minimum taxable income as defined in section
2.31 55(b)(2) of the Internal Revenue Code;

3.1 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
3.2 taxable income, but excluding:

3.3 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

3.4 (ii) the medical expense deduction;

3.5 (iii) the casualty, theft, and disaster loss deduction; and

3.6 (iv) the impairment-related work expenses of a disabled person;

3.7 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
3.8 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
3.9 to the extent not included in federal alternative minimum taxable income, the excess of the
3.10 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
3.11 taxable year over the adjusted basis of the property at the end of the taxable year (determined
3.12 without regard to the depletion deduction for the taxable year);

3.13 (4) to the extent not included in federal alternative minimum taxable income, the amount
3.14 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
3.15 Code determined without regard to subparagraph (E);

3.16 (5) to the extent not included in federal alternative minimum taxable income, the amount
3.17 of interest income as provided by section 290.0131, subdivision 2; ~~and~~

3.18 (6) the amount of the subtraction allowed under section 290.0132, subdivision 27; and

3.19 (7) the amount of addition required by section 290.0131, subdivisions 9 to 11;

3.20 less the sum of the amounts determined under the following:

3.21 (i) interest income as defined in section 290.0132, subdivision 2;

3.22 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
3.23 3, to the extent included in federal alternative minimum taxable income;

3.24 (iii) the amount of investment interest paid or accrued within the taxable year on
3.25 indebtedness to the extent that the amount does not exceed net investment income, as defined
3.26 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
3.27 in computing federal adjusted gross income;

3.28 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,
3.29 subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

3.30 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
3.31 paragraph (c).

4.1 In the case of an estate or trust, alternative minimum taxable income must be computed
4.2 as provided in section 59(c) of the Internal Revenue Code.

4.3 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
4.4 the Internal Revenue Code.

4.5 (c) "Net minimum tax" means the minimum tax imposed by this section.

4.6 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
4.7 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
4.8 under this chapter.

4.9 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
4.10 after subtracting the exemption amount determined under subdivision 3.

4.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.12 31, 2018.