

March 2, 2026

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of H.F. 3524 (Robbins) / S.F. 3739 (Housley)

	<u>Fund Impact</u>			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	\$0	(\$365,900)	(\$197,300)	(\$203,100)

Effective retroactively beginning with tax year 2025.

**EXPLANATION OF THE BILL**

**Current Law:** Wages, tips, and other compensation are all included in included in Federal adjusted gross income, the starting point for Minnesota individual income tax purposes. There is no deduction or subtraction for overtime compensation in Minnesota.

Federal Public Law 119-21 created a deduction for qualified overtime compensation received during the taxable year. Qualified overtime compensation is overtime paid to an individual that is in excess of the individual's regular wage, as required under the Fair Labor Standards Act of 1938 (FLSA). Qualified overtime pay must be included on the employee's Form W-2 or the nonemployee's Form 1099-NEC.

The federal deduction is effective for tax years 2025 through 2028 and is limited to \$12,500 per year (\$25,000 per tax year for married joint filers). The deduction is reduced by \$100 for every \$1,000 of modified adjusted gross income that exceeds \$150,000 (\$300,000 for married joint filers). Taxpayers must file with a social security number to be eligible, and married taxpayers must file a joint return to claim the deduction. The deduction may be claimed whether the taxpayer itemizes deductions or claims the standard deduction.

The federal deduction does not affect adjusted gross income, the starting point for calculating Minnesota taxable income, and will not have an impact on Minnesota tax liability.

**Proposed Law:** The bill creates a Minnesota subtraction equal to the federal deduction for qualified overtime compensation, except that the subtraction would not expire with the federal deduction and would continue to be allowed after tax year 2028.

**REVENUE ANALYSIS DETAIL**

- The estimate is based on estimates prepared by the staff of the Joint Committee on Taxation, dated July 1, 2025.
- The estimate was apportioned to Minnesota based on Minnesota's share of the United States population. The estimate was adjusted for the difference between federal and state tax rates and federal and state fiscal years.

**REVENUE ANALYSIS DETAIL (Cont.)**

- The retroactive impact from tax year 2025 is allocated to fiscal year 2027. Other tax years are allocated to the following fiscal year.

**Number of Taxpayers:** Unknown

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
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hf3524(sf3739) Subtraction for Overtime Pay / sr