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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 4123

03/09/2026 Authored by Agbaje
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; expanding the net investment income tax
1.3 to apply to all trade or business income that is exempt from self-employment taxes;
1.4 amending Minnesota Statutes 2024, section 290.033.

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

1.6 Section 1. Minnesota Statutes 2024, section 290.033, is amended to read:

1.7 290.033 NET INVESTMENT INCOME TAX.

1.8 (a) For purposes of this section, "net investment income" has the meaning given in
1.9 section 1411(c) of the Internal Revenue Code, excluding except:

1.10 (1) it excludes the net gain attributable to the disposition of property classified as class
1.11 2a under section 273.13, subdivision 23; and

1.12 (2) notwithstanding section 1411(c)(2) of the Internal Revenue Code, it includes all
1.13 income from a trade or business that is not excluded from net investment income under
1.14 section 1411(c)(6) of the Internal Revenue Code.

1.15 (b) In addition to the tax computed under section 290.06, subdivision 2c, a tax is imposed
1.16 on the net investment income of individuals, estates, and trusts in excess of \$1,000,000 at
1.17 a rate of one percent.

1.18 (c) For an individual who is not a Minnesota resident for the entire taxable year, the tax
1.19 under this subdivision must be calculated as if the individual is a Minnesota resident for the
1.20 entire year, and that amount must be multiplied by a fraction in which:

1.21 (1) the numerator is net investment income allocable under section 290.17 to Minnesota;
1.22 and

2.1 (2) the denominator is the total amount of net investment income for the taxable year.

2.2 (d) For an estate or trust, the tax on net investment income must be computed by
2.3 multiplying the net investment income tax liability by a fraction, the numerator of which is
2.4 the amount of the estate or trust's net investment income allocated to the state pursuant to
2.5 the provisions of sections 290.17, 290.191, and 290.20, and the denominator of which is
2.6 the taxpayer's total net investment income.

2.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.8 31, 2025.