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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2303

03/13/2025 Authored by Norris
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; property tax refunds; simplifying the income definition used
1.3 to calculate homestead credit refunds; amending Minnesota Statutes 2024, section
1.4 290A.03, subdivision 3.

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

1.6 Section 1. Minnesota Statutes 2024, section 290A.03, subdivision 3, is amended to read:

1.7 Subd. 3. Income. (a) "Income" means ~~the sum of the following:~~

1.8 ~~(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code;~~

1.9 ~~and, minus the sum of the following amounts may be subtracted from income:~~

1.10 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

1.11 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

1.12 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

1.13 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

1.14 (5) for the claimant's fifth dependent, the exemption amount; and

1.15 (6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or

1.16 before December 31 of the year for which the taxes were levied, the exemption amount.

1.17 ~~(2) the sum of the following amounts to the extent not included in clause (1):~~

1.18 ~~(i) all nontaxable income;~~

2.1 ~~(ii) the amount of a passive activity loss that is not disallowed as a result of section 469,~~
2.2 ~~paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss~~
2.3 ~~carryover allowed under section 469(b) of the Internal Revenue Code;~~

2.4 ~~(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a~~
2.5 ~~solvent individual excluded from gross income under section 108(g) of the Internal Revenue~~
2.6 ~~Code;~~

2.7 ~~(iv) cash public assistance and relief;~~

2.8 ~~(v) any pension or annuity (including railroad retirement benefits, all payments received~~
2.9 ~~under the federal Social Security Act, Supplemental Security Income, and veterans benefits),~~
2.10 ~~which was not exclusively funded by the claimant or spouse, or which was funded exclusively~~
2.11 ~~by the claimant or spouse and which funding payments were excluded from federal adjusted~~
2.12 ~~gross income in the years when the payments were made;~~

2.13 ~~(vi) interest received from the federal or a state government or any instrumentality or~~
2.14 ~~political subdivision thereof;~~

2.15 ~~(vii) workers' compensation;~~

2.16 ~~(viii) nontaxable strike benefits;~~

2.17 ~~(ix) the gross amounts of payments received in the nature of disability income or sick~~
2.18 ~~pay as a result of accident, sickness, or other disability, whether funded through insurance~~
2.19 ~~or otherwise;~~

2.20 ~~(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of~~
2.21 ~~1986, as amended through December 31, 1995;~~

2.22 ~~(xi) contributions made by the claimant to an individual retirement account, including~~
2.23 ~~a qualified voluntary employee contribution; simplified employee pension plan;~~
2.24 ~~self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of~~
2.25 ~~the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal~~
2.26 ~~Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for~~
2.27 ~~the claimant and spouse;~~

2.28 ~~(xii) to the extent not included in federal adjusted gross income, distributions received~~
2.29 ~~by the claimant or spouse from a traditional or Roth style retirement account or plan;~~

2.30 ~~(xiii) nontaxable scholarship or fellowship grants;~~

2.31 ~~(xiv) alimony received to the extent not included in the recipient's income;~~

3.1 ~~(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue~~
3.2 ~~Code;~~

3.3 ~~(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue~~
3.4 ~~Code; and~~

3.5 ~~(xvii) the amount deducted for certain expenses of elementary and secondary school~~
3.6 ~~teachers under section 62(a)(2)(D) of the Internal Revenue Code.~~

3.7 ~~In the case of an individual who files an income tax return on a fiscal year basis, the~~
3.8 ~~term "federal adjusted gross income" shall mean federal adjusted gross income reflected in~~
3.9 ~~the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced~~
3.10 ~~by the amount of a net operating loss carryback or carryforward or a capital loss carryback~~
3.11 ~~or carryforward allowed for the year.~~

3.12 ~~(b) "Income" does not include:~~

3.13 ~~(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;~~

3.14 ~~(2) amounts of any pension or annuity which was exclusively funded by the claimant~~
3.15 ~~or spouse and which funding payments were not excluded from federal adjusted gross~~
3.16 ~~income in the years when the payments were made;~~

3.17 ~~(3) to the extent included in federal adjusted gross income, amounts contributed by the~~
3.18 ~~claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed~~
3.19 ~~the retirement base amount reduced by the amount of contributions excluded from federal~~
3.20 ~~adjusted gross income, but not less than zero;~~

3.21 ~~(4) surplus food or other relief in kind supplied by a governmental agency;~~

3.22 ~~(5) relief granted under this chapter;~~

3.23 ~~(6) child support payments received under a temporary or final decree of dissolution or~~
3.24 ~~legal separation;~~

3.25 ~~(7) restitution payments received by eligible individuals and excludable interest as~~
3.26 ~~defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,~~
3.27 ~~Public Law 107-16;~~

3.28 ~~(8) alimony paid; or~~

3.29 ~~(9) veterans disability compensation paid under title 38 of the United States Code.~~

3.30 ~~(c) the sum of the following amounts may be subtracted from income:~~

3.31 ~~(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;~~

4.1 ~~(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;~~

4.2 ~~(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;~~

4.3 ~~(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;~~

4.4 ~~(5) for the claimant's fifth dependent, the exemption amount; and~~

4.5 ~~(6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or~~
 4.6 ~~before December 31 of the year for which the taxes were levied, the exemption amount.~~

4.7 ~~(d) (b) For purposes of this subdivision, the following terms have the meanings given:~~

4.8 ~~(1) "exemption amount" means the exemption amount under section 290.0121,~~
 4.9 ~~subdivision 1, paragraph (b), for the taxable year for which the income is reported;~~

4.10 ~~(2) "retirement base amount" means the deductible amount for the taxable year for the~~
 4.11 ~~claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for~~
 4.12 ~~inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard~~
 4.13 ~~to whether the claimant or spouse claimed a deduction; and~~

4.14 ~~(3) "traditional or Roth style retirement account or plan" means retirement plans under~~
 4.15 ~~sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.~~

4.16 **EFFECTIVE DATE.** This section is effective beginning with refunds based on property
 4.17 **taxes payable in 2025.**