

March 2, 2026

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3754 (Joy)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(\$000s)		
General Fund	\$0	(Negl.)	(Negl.)	(\$200)

Effective the date following enactment. Changes made by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

EXPLANATION OF THE BILL

Current Law: Under current law, the state of Minnesota doesn't conform to Section 70204 of Public Law 119-21.

P.L. 119-21 Sec. 70204 created a new tax-advantaged account to allow savings for a beneficiary on a tax-preferred basis. The maximum contribution per taxable year is \$5,000, which is annually adjusted for inflation beginning in tax year 2028. Contributions are generally made with after-tax dollars, although employers are allowed an exclusion for contributions to an employee's account. Distributions from the accounts are not allowed until the beneficiary turns 18.

The year the beneficiary turns 18, the account is converted to a traditional IRA. Distributions from the account before the age of 59 ½ are generally subject to an additional 10% tax penalty. Excess contributions to the account result in an additional 6% excise tax.

P.L. 119-21 Sec. 70204 also created a pilot program that deposits \$1,000 into a qualifying child's account born after Dec. 31, 2024 and before Jan. 1, 2029.

Proposed Law: Under the bill, Minnesota's definition of the Internal Revenue Code would include Section 70204 of P.L. 119-21. The bill refers specifically to the exclusion for employer contributions. It is assumed that all provisions of Section 70204 would be included.

REVENUE ANALYSIS DETAIL

- The federal Joint Committee on Taxation (JCT) provided a fiscal estimate of the cost from P.L. 119-21. The fiscal estimate for Trump accounts includes outlays for \$1,000 contributions for certain eligible newborns. The estimate was adjusted to exclude outlays.
- The net fiscal impact is apportioned to Minnesota at a rate of 1.9%.

REVENUE ANALYSIS DETAIL (Cont.)

- The fiscal impact is then divided by the average marginal income tax rate of 16.1% and multiplied by Minnesota's average marginal income tax rate of 8.0%.
- Federal fiscal years are adjusted to Minnesota fiscal years.

Minnesota Department of Revenue
Tax Research Division
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