

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 109
Version: As Introduced

DATE: January 21, 1999

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Subject: Income tax credit for charitable contributions

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Overview

Allows a nonrefundable tax credit equal to 50 percent of contributions to charities that provide services in Minnesota. The maximum credit is \$100 for married couples filing joint returns, and \$50 for all other taxpayers. The maximum credit is subject to an income-based phaseout.

Background

Under current law, taxpayers who claim itemized deductions at the federal level may deduct charitable contributions from both federal and state taxable income; those who claim the federal standard deduction may not. H.F. 109 includes language that prevents taxpayers who itemize from claiming both a deduction and a credit for the same contribution.

1 Additions to federal taxable income. Requires taxpayers who claim a credit for charitable contributions and who claimed the federal itemized deduction for charitable contributions to add the amount of the credit back to federal taxable income. This prevents taxpayers from receiving both a deduction and a credit for the same contribution.

2 Charitable contributions credit.

Subd. 1. Credit allowed. Allows a nonrefundable credit equal to 50 percent of contributions to a qualified charity. The maximum credit is \$100 for married taxpayers filing joint returns, and \$50 for all other taxpayers. The credit is subject to an income-based phaseout that starts at \$60,000 and ends at \$80,000 for married joint filers, and that starts at \$30,000 and ends at \$40,000 for all other filers.

Subd. 2. Definitions. Defines "qualified charity" as an organization that is a 501(c)(3) organization that is exempt from tax under the Internal Revenue Code provides services in Minnesota.

Subd. 3. Timing of contributions. Allows contributions made from January 1 through April 15

to qualify for the credit for the previous tax year.

Subd. 4. Documentation. Requires qualified charities to provide donors with receipts for use in claiming the credit. Specifies that the receipt must state that the contribution is to be used for the provision of services in Minnesota.

Subd. 5. Annual returns of qualified charities. Requires qualified charities to make available copies of their annual returns filed under section 6033 of the Internal Revenue Code. These are returns that 501(c)(3) organizations are required to file to document their tax-exempt status.

3 Effective date. Effective beginning in tax year 1999.