

HOUSE RESEARCH

Bill Summary

FILE NUMBER: HF 267

DATE: February 11, 1999

Version: As Introduced

Authors: Westerberg and others

Subject: Restructures income tax brackets to remove marriage penalty

Analyst: Nina Manzi

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

Removes the "marriage penalty" in Minnesota's income tax brackets by setting the brackets for married joint filers at twice the current law brackets for single filers. Makes similar changes to the alternative minimum tax (AMT) exemption and phaseout.

- 1 Income tax brackets.** Increases the width of the income tax brackets for married joint filers to be twice the brackets for single filers. Under current law, the brackets for married joint filers are less than twice the brackets for single filers. As a result, two single taxpayers who choose to marry will pay higher Minnesota income taxes after marrying than their combined income taxes as single filers. This tax difference is referred to as a "marriage penalty." By setting the married joint brackets at twice the single brackets, this section removes the marriage penalty that results from Minnesota's current bracket structure.
- 2 Indexing.** Directs the commissioner to adjust the brackets set in section 1 for inflation, beginning in tax year 2000.
- 3 Alternative minimum tax (AMT) exemption amount.** Increases the married joint exemption amount under the AMT from \$40,000 to \$60,000. The income threshold at which the exemption phases out for married joint filers is increased from \$150,000 to \$225,000. In both instances, this makes the amounts twice the amount for single filers, and removes the marriage penalty that results from the current law AMT exemption and phaseout structure.
- 4 Effective date.** Effective beginning in tax year 1999.