

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 73

DATE: February 8, 2001

Version: As introduced

Authors: Abrams and others

Subject: Income tax exclusion for capital gains

Analyst: Joel Michael, (651) 296-5057 Nina Manzi, (651) 296-5204

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

Allows a 60 percent net capital gains subtraction in calculating individual income tax. Makes a corresponding reduction in the alternative minimum tax rate, from 6.4% to 5.0%. Effective for sales and exchanges occurring after the day following final enactment.

Section

- 1 **Net capital gains subtraction.** Provides a subtraction from Minnesota taxable income of 60 percent of net capital gains. Net capital gains is defined by reference to the Internal Revenue Code, as net long-term gain after subtraction of both long-term and short-term capital losses. Collectibles gain, unrecaptured section 1250 gain (gain on certain types of real estate that represents recovery of previously taken depreciation deductions), and section 1202 gains (gain on small business stock that already qualifies for a 50 percent exclusion) do not qualify for the subtraction.
- 2 **Alternative minimum tax.** Reduces the alternative minimum tax (AMT) rate from 6.4% to 5.0%.
- 3 **Tentative minimum tax.** Makes a conforming change in the definition of tentative minimum tax to reflect the change in the AMT rate.
- 4 **AMT credit.** Makes a conforming change in the AMT credit to reflect the change in the AMT rate.

Go to distribution of income taxes under H.F. 73