

HOUSE RESEARCH

Bill Summary

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Authors: Erhardt and others

Subject: Income tax exclusion for capital gains

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Overview

Allows a subtraction of the greater of \$10,000 of net capital gains or 50 percent of the gains. Allows the subtraction for both the regular income tax and the alternative minimum tax. 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 the greater of \$10,000 of net capital gains or 50 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 **Net capital gains subtraction; alternative minimum tax.** Provides a subtraction from Minnesota alternative minimum taxable income of the amount allowed as a subtraction in the regular tax calculation. Thus, the capital gains subtraction is allowed for both the regular tax and the alternative minimum tax.

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