

# HOUSE RESEARCH

## Bill Summary

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**Version:** First engrossment

**Authors:** Abrams and others

**Subject:** Income tax conformity; acceleration of recognition of charitable contributions for tsunami relief

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### Overview

Updates the definition of net income to conform to the change made by Public Law 109-1, "An Act to accelerate the income tax benefits for charitable cash contributions for the relief of victims of the Indian Ocean tsunami." Allows charitable contributions made in January 2005 for tsunami relief to be claimed on 2004 Minnesota individual and corporate income tax returns. Applies to both contributions claimed as itemized deductions at the federal level and to contributions claimed under Minnesota's charitable contribution subtraction for nonitemizers.

#### Section

- 1 Net Income.** Conforms Minnesota's definition of net income for the individual and corporate taxes to the federal definition as revised by Public Law 109-1, "An Act to accelerate the income tax benefits for charitable cash contributions for the relief of victims of the Indian Ocean tsunami." Under P.L. 109-1 taxpayers may elect to treat contributions for tsunami relief made in January 2005 as though they were made on December 31, 2004. The effect is to allow individual and corporate calendar-year taxpayers to deduct tsunami relief contributions made in January 2005 on their 2004 federal income tax returns, rather than on their 2005 returns.

This bill would allow Minnesota taxpayers to deduct tsunami relief contributions made in

**Section**

January 2005 on their 2004 Minnesota income tax returns, providing the same tax treatment at the state level as P.L. 109-1 provides at the federal level. Without this change taxpayers deducting January 2005 tsunami relief contributions on their 2004 federal returns would be required to add those contributions to Minnesota taxable income on their 2004 state returns and then deduct them from Minnesota taxable income on their 2005 state returns.

Also allows Minnesota taxpayers who claim the charitable contribution subtraction for nonitemizers to subtract amounts contributed in January 2005 for tsunami relief on their 2004 state returns. The nonitemizer subtraction allows individuals who don't itemize at the federal level to subtract from Minnesota taxable income 50 percent of total charitable contributions in excess of \$500.