

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 81

DATE: March 1, 2007

Version: As Introduced

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Subject: Income tax exclusion for capital gains

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Overview

Allows an income tax subtraction for 60 percent of net capital gains, defined by reference as gains that qualify for the maximum 15 percent federal rate.

Section

- 1** **Income tax subtractions; capital gains.** 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. In effect this allows the subtraction of 60 percent of net gains that qualify for the maximum 15 percent federal tax rate.
- 2** **Alternative minimum taxable income.** Provides for the amount allowed as a capital gains subtraction in section 1 to also be subtracted from alternative minimum taxable income. This is necessary to avoid shifting individuals who claim the subtraction in section 1 onto the alternative minimum tax.