

HOUSE RESEARCH

Bill Summary

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Overview

Allows taxpayers to exclude wagering losses that offset gains from Minnesota alternative minimum taxable income.

Section

1 **Alternative minimum taxable income.** Allows taxpayers to exclude gambling losses, to the extent they offset gains, from alternative minimum taxable income.

Background. The Internal Revenue Code allows deduction of gambling losses under the federal income tax, but only to the extent they offset gambling winnings. This deduction is allowed for both the regular tax and the alternative minimum tax. Most individuals include gambling winnings on the 1040 under "other income," and deduct gambling losses on the "other miscellaneous expense" deduction line of Schedule A.

Minnesota's regular income tax calculation starts with federal taxable income, which includes the federal deduction for gambling losses. The federal gambling loss deduction "flows through" to Minnesota's income tax. However, Minnesota's alternative minimum tax (AMT) disallows the gambling loss deduction. Under Minnesota's AMT, taxpayers are taxed on gambling winnings and not allowed to offset those winnings with losses.