

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 851  
**Version:** As introduced

**DATE:** March 8, 2011

**Authors:** Runbeck

**Subject:** Income tax exclusion for certain deferred wages

**Analyst:** Nina Manzi (651) 296-5204  
Joel Michael (joel.michael@house.mn)

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### Overview

Restores the exclusion from taxable income for wages that were earned when the taxpayer was a Minnesota resident and received when the taxpayer was not a Minnesota resident.

**1 Wage income of Minnesota residents.** Restores the exclusion from taxable income for wages that were earned when the taxpayer was a Minnesota resident and received when the taxpayer was not a Minnesota resident. Under present law, an individual is subject to Minnesota income tax on wages for work performed while a Minnesota resident that are not received until the individual is a resident of another state. Examples include:

- individuals on contract whose contracts provide for them to continue to be paid for some time period after they complete the work required under the contract;
- individuals who receive nonqualified deferred compensation; and
- individuals who receive stock options while performing work as a Minnesota resident, but do not exercise the options until they have moved to another state.

This section has no effect on individuals participating in qualified plans (such as a regular defined benefit pension, 401(k), 403(b), IRAs, and 457 plans) while Minnesota residents and making withdrawals once they are nonresidents, since federal law prohibits state taxation of withdrawals from these plans by nonresidents.

This exclusion was in effect from tax years 2000 through 2007, and was eliminated in Laws 2008, Chapter 154, effective for tax year 2008.

Effective date: tax year 2011.