

HOUSE RESEARCH

Bill Summary

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Authors: Erhardt and others

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

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Overview

Updates the definition of net income to conform to the change made by Public Law 112-240, “The American Taxpayer Relief Act of 2012,” that excludes from gross income discharge of indebtedness on a principal residence, effective retroactively to tax year 2013. Under current law, such income is excluded from gross income at the federal level, but subject to Minnesota state income tax.

Section

1 **Net income.** Conforms Minnesota’s definition of net income for the individual income tax to the federal definition as revised by the provision of Public Law 112-240, “The American Taxpayer Relief Act of 2012,” that extends the existing exclusion from gross income of discharge of indebtedness on a principal residence through 2013. The exclusion applies to debt reduced as part of a mortgage restructuring as well as debt forgiven in connection with a foreclosure.

Background. The Mortgage Forgiveness Debt Relief Act of 2007 (Public Law 110-152) excluded from gross income up to \$2 million of debt forgiven or canceled on a principal residence for discharges occurring in calendar years 2007 through 2009. Laws 2008, Chapter 154, conformed Minnesota’s income tax to the exclusion and other federal changes.

The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) extended the exclusion for discharge of indebtedness on a principal residence for three years, through 2012. Laws 2010, Chapter 12, conformed Minnesota’s income tax to the exclusion and other federal changes.

Effective date: Retroactive to tax year 2013.