

HOUSE RESEARCH

Bill Summary

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Subject: Definition of resident for individual income tax purposes

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This bill modifies the residency test under the individual income tax that is based on physical presence in the state. Under this test, an individual is a resident for income tax purposes if he or she maintains a permanent dwelling in Minnesota and is physically present in the state for 183 days or more in the calendar year. The bill modifies this test by providing that presence in Minnesota for the primary purpose of receiving medical treatment (by the taxpayer, spouse, child, or parent) does not qualify as a Minnesota day (i.e., for purposes of the 183-day minimum).

Background. Being treated as a resident subjects the taxpayer's entire income, regardless of type or the location that it is derived from, to Minnesota income tax. (A credit applies to offset tax imposed by another state on that income.) By contrast, a nonresident is subject to tax only on Minnesota-source income (e.g., income from work performed in Minnesota or investment income from tangible property or a business located in Minnesota).