

**Subject** Income tax exemption for nonresident employees who work in the state for 30 or fewer days

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## Overview

H.F. 950 establishes an income tax exemption for nonresident employees who work in Minnesota for 30 days or fewer. Employers whose employees qualify for the exemption would also be exempt from withholding requirements. The bill does not apply to individuals who pay the nonresident entertainer tax.

Under current law, nonresidents must file a Minnesota return if their Minnesota-source income was more than the standard deduction for a single taxpayer (\$14,950 in 2025).

The bill specifies that employers who meet certain requirements for time and attendance record keeping are exempt from penalties for failure to withhold. It also details rules for how to determine whether an employee worked a day in Minnesota.

## Summary

Section	Description
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1	<b>Income of certain nonresidents.</b>
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**Subd. 1. Exemption allowed.** Excludes from gross income the amount of compensation received by a qualifying nonresident employee for employment duties in Minnesota.

**Subd. 2. Definition.** Defines “employee” and “employer” based on the existing definition in the state’s withholding law.

Defines “employment duties” as professional or personal services performed for an employer by an employee.

Defines “entertainer” based on the definition for the existing state tax on nonresident entertainers.

Section	Description
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Defines “qualifying nonresident individual” as an individual who (1) resides in another state; (2) is paid wages for employment duties (other than entertainment) in Minnesota for 30 or fewer days; (3) performed employment duties in more than one state; and (4) whose state provides a substantially similar exclusion or does not have an income tax.

Defines “time and attendance system” as a system through which an employee is required to record the work location on a contemporaneous basis and which is designed to allow the employer to allocate the employee’s compensation for income tax.

**Subd. 3. Withholding exemption; limitation.** Exempts employers from the requirement to withhold tax on wages paid to a nonresident individual who works fewer than 30 days in Minnesota. Specifies that withholding is required on all wages earned in Minnesota, if a nonresident employee works for more than 30 days in the state.

**Subd. 4. Employers; application of penalties.** Forbids DOR from imposing penalties on employers for failing to deduct withhold income taxes if the employer:

- 1) maintains a time and attendance system and relied on data from that system;
- 2) the employer does not maintain a time and attendance system but relies on the employer’s own records or the employee’s reasonable determination (if the employer had no knowledge of fraud or did not collude with the employee to evade taxation).

**Subd. 5. Timing of employment duties performed.** Specifies that an employee is considered to have performed employment duties in Minnesota if the employee performs more duties in Minnesota than in any other state. Days in transit are not considered in determining the location where duties were performed.

**Subd. 6. Severability.** Specifies that if any provision of the section is found unconstitutional, then all other provisions remain valid.

Effective for tax year 2026 and later.



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