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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3140

03/27/2023 Authored by Gomez The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; modifying the itemized and standard
1.3 deduction phaseout rate; amending Minnesota Statutes 2022, sections 290.0122,
1.4 subdivision 2; 290.0123, subdivision 5.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2022, section 290.0122, subdivision 2, is amended to read:

1.7 Subd. 2. Deductions limited; inflation adjustment. (a) The itemized deductions of a
1.8 taxpayer with adjusted gross income in excess of the applicable amount are reduced by the
1.9 lesser of:

1.10 (1) ~~three~~ five percent of the excess of the taxpayer's federal adjusted gross income over
1.11 the applicable amount; or

1.12 (2) 80 percent of the amount of the taxpayer's itemized deductions.

1.13 (b) "Applicable amount" means \$194,650, or \$97,325 for a married individual filing a
1.14 separate return.

1.15 (c) For the purposes of this subdivision, "itemized deductions" means the itemized
1.16 deductions otherwise allowable to the taxpayer under subdivision 1, except itemized
1.17 deductions excludes:

1.18 (1) the portion of the deduction for interest under subdivision 5 that represents investment
1.19 interest;

1.20 (2) the deduction for medical expenses under subdivision 6; and

1.21 (3) the deduction for losses under subdivision 8.

2.1 (d) For taxable years beginning after December 31, 2019, the commissioner must adjust
2.2 for inflation the applicable amounts under paragraph (b) as provided in section 270C.22.
2.3 The statutory year is taxable year 2019. The amounts as adjusted must be rounded down to
2.4 the nearest \$50 amount. The threshold amount for married individuals filing separate returns
2.5 must be one-half of the adjusted amount for married individuals filing joint returns.

2.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.7 31, 2022.

2.8 Sec. 2. Minnesota Statutes 2022, section 290.0123, subdivision 5, is amended to read:

2.9 Subd. 5. **Deduction limited.** (a) The standard deduction of a taxpayer with adjusted
2.10 gross income in excess of the applicable amount is reduced by the lesser of:

2.11 (1) ~~three~~ five percent of the excess of the taxpayer's federal adjusted gross income over
2.12 the applicable amount; or

2.13 (2) 80 percent of the standard deduction otherwise allowable under this section.

2.14 (b) "Applicable amount" means \$194,650, or \$97,325 for a married individual filing a
2.15 separate return.

2.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.17 31, 2022.