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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3437

02/14/2022 Authored by Mortensen
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 tax; allowing a credit for certain qualifying
1.3 contributions; allowing a credit for employer administrative expenses related to
1.4 the credit; allowing a withholding allowance for designated contributions under
1.5 the credit; amending Minnesota Statutes 2020, section 290.06, by adding
1.6 subdivisions; Minnesota Statutes 2021 Supplement, section 290.92, subdivision
1.7 5; repealing Minnesota Statutes 2020, sections 290.0132, subdivisions 7, 23;
1.8 290.0684.

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

1.10 Section 1. SHORT TITLE.

1.11 This act may be referred to as the "People Over Politicians Act."

1.12 Sec. 2. Minnesota Statutes 2020, section 290.06, is amended by adding a subdivision to
1.13 read:

1.14 Subd. 41. Qualifying contribution credit. (a) A resident individual may take a credit
1.15 against the tax due under this chapter equal to the amount of qualifying contributions made
1.16 in a taxable year, provided that the credit is limited to the liability for tax as computed under
1.17 this chapter.

1.18 (b) For a part-year resident, the credit under this section must be allocated using the
1.19 percentage calculated in section 290.06, subdivision 2c, paragraph (e).

1.20 (c) For purposes of this subdivision, "qualifying contribution" means:

1.21 (1) a charitable contribution as defined in section 170(c) of the Internal Revenue Code,
1.22 other than a contribution used to calculate the itemized charitable contribution subtraction
1.23 under section 290.0122, subdivision 4; or

2.1 (2) a contribution to a qualified account under section 529 of the Internal Revenue Code,
2.2 or a contribution to a Coverdell education savings account under section 530 of the Internal
2.3 Revenue Code, except that the contribution amount:

2.4 (i) is reduced by any withdrawals or distributions, other than transfers or rollovers to
2.5 another qualified account from a qualified account during the taxable year; and

2.6 (ii) excludes the amount of any transfers or rollovers from a qualified account made
2.7 during the taxable year.

2.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.9 31, 2022.

2.10 Sec. 3. Minnesota Statutes 2020, section 290.06, is amended by adding a subdivision to
2.11 read:

2.12 **Subd. 42. Qualifying contribution administration expense credit.** (a) An employer
2.13 may claim a credit against the tax due under this chapter equal to one percent of the aggregate
2.14 amount of employee qualifying contributions as defined under subdivision 41, paragraph
2.15 (c), withheld by the taxpayer from all employee wages and transferred by the employer to
2.16 the employees' designated donees.

2.17 (b) The credit is limited to the liability for tax, as computed under this chapter, for the
2.18 taxable year. If the amount of the credit determined under this subdivision for any taxable
2.19 year exceeds this limitation, the excess is a qualifying contribution administrative expense
2.20 credit carryover to each of the five succeeding taxable years. The entire amount of the excess
2.21 unused credit for the taxable year is carried first to the earliest of the taxable years to which
2.22 the credit may be carried and then to each successive year to which the credit may be carried.
2.23 The amount of the unused credit which may be added under this paragraph must not exceed
2.24 the taxpayer's liability for tax, less the qualifying contribution administration expense credit
2.25 for the taxable year.

2.26 (c) For a part-year resident, the credit under this section must be allocated using the
2.27 percentage calculated in section 290.06, subdivision 2c, paragraph (e).

2.28 (d) Credits allowed to a partnership, a limited liability company taxed as a partnership,
2.29 an S corporation, or multiple owners of property are passed through to the partners, members,
2.30 shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or
2.31 owner based on their share of the entity's assets or as specially allocated in their
2.32 organizational documents or any other executed agreement, as of the last day of the taxable
2.33 year.

3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.2 31, 2022.

3.3 Sec. 4. Minnesota Statutes 2021 Supplement, section 290.92, subdivision 5, is amended
3.4 to read:

3.5 Subd. 5. **Allowances.** (1) An employee receiving wages shall on any day be entitled to
3.6 claim withholding allowances in a number not to exceed the number of withholding
3.7 allowances that the employee claims and that are allowable pursuant to section 3402(f)(1)
3.8 of the Internal Revenue Code for federal withholding purposes, except:

3.9 (i) the standard deduction amount for the purposes of section 3402(f)(1)(E) of the Internal
3.10 Revenue Code shall be the amount calculated under section 290.0123;

3.11 (ii) the allowance amount for the purposes of section 3402(f)(1)(A) of the Internal
3.12 Revenue Code shall be the amount calculated under section 290.0121, subdivision 1;

3.13 (iii) withholding allowances under sections 3402(f)(1)(C) and (D) of the Internal Revenue
3.14 Code are not allowed;

3.15 (iv) estimated itemized deductions allowable under section 290.0122, but only if the
3.16 employee's spouse does not have in effect a withholding certificate electing this allowance;
3.17 and

3.18 (v) any additional allowances, at the discretion of the commissioner, that are in the best
3.19 interests of determining the proper amount to withhold for the payment of taxes under this
3.20 chapter.

3.21 (2) **Withholding allowance certificate.** The provisions concerning allowance certificates
3.22 contained in section 3402(f)(2) and (3) of the Internal Revenue Code shall apply.

3.23 (3) **Form of certificate.** Withholding allowance certificates shall be in such form and
3.24 contain such information as the commissioner may by rule prescribe.

3.25 (4) An employee receiving wages shall on any day be entitled to claim an exemption
3.26 from all state withholding.

3.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.28 31, 2022.

3.29 Sec. 5. **REPEALER.**

3.30 Minnesota Statutes 2020, sections 290.0132, subdivisions 7 and 23; and 290.0684, are
3.31 repealed.

- 4.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
- 4.2 31, 2022.

290.0132 INDIVIDUALS; SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.

Subd. 7. **Charitable contributions for taxpayers who do not itemize.** For an individual who does not itemize deductions under section 290.0132, subdivision 19, for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 290.0122, subdivision 4, is a subtraction. The subtraction under this subdivision must not include a distribution that is excluded from federal adjusted gross income and that is not deductible under section 408(d)(8)(E) of the Internal Revenue Code.

Subd. 23. **Contributions to a section 529 plan.** (a) The amount equal to the contributions made during the taxable year to a qualified account is a subtraction.

(b) The definitions under section 290.0684 apply for the purposes of this subdivision.

(c) The subtraction under this subdivision must not exceed \$3,000 for married couples filing joint returns and \$1,500 for all other filers, and is limited to individuals who do not claim the credit under section 290.0684.

290.0684 SECTION 529 PLAN CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Contribution" means the amount contributed to one or more qualified accounts except that the amount:

(1) is reduced by any withdrawals or distributions, other than transfers or rollovers to another qualified account, from a qualified account during the taxable year; and

(2) excludes the amount of any transfers or rollovers from a qualified account made during the taxable year.

(c) "Adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code.

(d) "Qualified account" means an account qualifying under section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

(b) The amount of the credit allowed equals 50 percent of contributions for the taxable year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of \$78,340.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of \$78,340, but not more than \$141,010, the maximum credit is reduced by one percent of adjusted gross income in excess of \$78,340 until the maximum credit amount equals \$250; and

(2) for married couples with adjusted gross income in excess of \$141,010, the maximum credit is \$250, reduced by one percent of adjusted gross income in excess of \$141,010.

(e) The commissioner shall annually adjust the income thresholds in paragraphs (c) and (d) as provided in section 270C.22. The statutory year is taxable year 2019.

Subd. 3. **Allocation.** For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).