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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 778

01/25/2023 Authored by Elkins, Noor, Coulter, Berg and Curran The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy

1.1 A bill for an act
1.2 relating to retirement; public employees police and fire retirement plan; State Patrol
1.3 retirement plan; increasing the postretirement adjustment (COLA) to three percent
1.4 for members receiving a disability benefit; establishing an individual income tax
1.5 subtraction for certain duty disability benefits; amending Minnesota Statutes 2022,
1.6 sections 290.0132, by adding a subdivision; 290.091, subdivision 2; 353.6511,
1.7 subdivision 7; 353.6512, subdivision 7; 356.415, subdivisions 1c, 1e.

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

1.9 Section 1. Minnesota Statutes 2022, section 290.0132, is amended by adding a subdivision
1.10 to read:

1.11 Subd. 31. Duty disability benefits. The amount of duty disability benefits received
1.12 under sections 352B.10, subdivision 1, and 353.656, subdivisions 1 and 1a, and retirement
1.13 annuities received under sections 352B.105, subdivisions 2 and 3, and 353.656, subdivision
1.14 5a, is a subtraction.

1.15 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.16 31, 2022.

1.17 Sec. 2. Minnesota Statutes 2022, section 290.091, subdivision 2, is amended to read:

1.18 Subd. 2. Definitions. For purposes of the tax imposed by this section, the following
1.19 terms have the meanings given.

1.20 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
1.21 year:

1.22 (1) the taxpayer's federal alternative minimum taxable income as defined in section
1.23 55(b)(2) of the Internal Revenue Code;

2.1 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
2.2 taxable income, but excluding:

2.3 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

2.4 (ii) the medical expense deduction;

2.5 (iii) the casualty, theft, and disaster loss deduction; and

2.6 (iv) the impairment-related work expenses of a person with a disability;

2.7 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
2.8 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
2.9 to the extent not included in federal alternative minimum taxable income, the excess of the
2.10 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
2.11 taxable year over the adjusted basis of the property at the end of the taxable year (determined
2.12 without regard to the depletion deduction for the taxable year);

2.13 (4) to the extent not included in federal alternative minimum taxable income, the amount
2.14 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
2.15 Code determined without regard to subparagraph (E);

2.16 (5) to the extent not included in federal alternative minimum taxable income, the amount
2.17 of interest income as provided by section 290.0131, subdivision 2;

2.18 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, and 16;

2.19 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent
2.20 not included in the addition required under clause (6); and

2.21 (8) to the extent not included in federal alternative minimum taxable income, the amount
2.22 of foreign-derived intangible income deducted under section 250 of the Internal Revenue
2.23 Code;

2.24 less the sum of the amounts determined under the following:

2.25 (i) interest income as defined in section 290.0132, subdivision 2;

2.26 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
2.27 3, to the extent included in federal alternative minimum taxable income;

2.28 (iii) the amount of investment interest paid or accrued within the taxable year on
2.29 indebtedness to the extent that the amount does not exceed net investment income, as defined
2.30 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
2.31 in computing federal adjusted gross income;

3.1 (iv) amounts subtracted from federal taxable or adjusted gross income as provided by
 3.2 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 29,~~ and 31;

3.3 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
 3.4 paragraph (c); and

3.5 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0122,
 3.6 subdivision 7.

3.7 In the case of an estate or trust, alternative minimum taxable income must be computed
 3.8 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum
 3.9 taxable income must be increased by the addition in section 290.0131, subdivision 16.

3.10 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
 3.11 the Internal Revenue Code.

3.12 (c) "Net minimum tax" means the minimum tax imposed by this section.

3.13 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
 3.14 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
 3.15 under this chapter.

3.16 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
 3.17 after subtracting the exemption amount determined under subdivision 3.

3.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 3.19 31, 2022.

3.20 Sec. 3. Minnesota Statutes 2022, section 353.6511, subdivision 7, is amended to read:

3.21 Subd. 7. **Postretirement adjustments.** Effective January 1, 2012, service pensions and
 3.22 survivor benefits in force are entitled to be recomputed with the number of units specified
 3.23 in subdivision 2, subdivision 4, and subdivision 6. Optional annuities under Minnesota
 3.24 Statutes 2010, section 423C.05, subdivision 8, also are entitled to be recomputed as the
 3.25 actuarial equivalent of the service pensions and survivor benefits with the number of units
 3.26 specified in subdivision 2, subdivision 4, and subdivision 6. Retirement annuities, service
 3.27 pensions, disability benefits, and survivor benefits after December 31, 2015, are eligible
 3.28 for postretirement adjustments under section 356.415, subdivision 1c. The unit value for
 3.29 the calculation of a retirement annuity first payable after December 31, 2015, is the calendar
 3.30 year 2015 unit value, plus any annual postretirement adjustment percentage amount payable
 3.31 after December 31, 2015, under section 356.415, subdivision 1c, paragraph (a), clause (1),
 3.32 or paragraph (b), clause (1), as applicable.

4.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.2 Sec. 4. Minnesota Statutes 2022, section 353.6512, subdivision 7, is amended to read:

4.3 Subd. 7. **Postretirement adjustments.** Retirement annuities, service pensions, disability
4.4 benefits, and survivor benefits after December 31, 2015, are eligible for postretirement
4.5 adjustments under section 356.415, subdivision 1c. The unit value for the calculation of a
4.6 retirement annuity first payable after December 31, 2015, is the calendar year 2015 unit
4.7 value, plus any annual postretirement adjustment percentage amount payable after December
4.8 31, 2015, under section 356.415, subdivision 1c, paragraph (a), clause (1), or paragraph (b),
4.9 clause (1), as applicable.

4.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.11 Sec. 5. Minnesota Statutes 2022, section 356.415, subdivision 1c, is amended to read:

4.12 Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement
4.13 annuity, disability benefit, or survivor benefit recipients of the public employees police and
4.14 fire retirement plan, except for recipients of a duty disability paid under section 353.656,
4.15 subdivision 1 or 1a, are entitled to an annual postretirement adjustment, effective as of each
4.16 January 1, as follows:

4.17 (1) for each annuitant or benefit recipient who will have been receiving an annuity or
4.18 benefit for at least 36 full months as of the immediate preceding June 30, a postretirement
4.19 increase of one percent must be applied each year to the amount of the monthly annuity or
4.20 benefit of the annuitant or benefit recipient; or

4.21 (2) for each annuitant or benefit recipient who has been receiving the annuity or benefit
4.22 for at least 25 full months, but less than 36 months as of the immediate preceding June 30,
4.23 a postretirement increase of 1/12 of one percent for each full month that the person has been
4.24 receiving an annuity or benefit during the fiscal year in which the annuity or benefit was
4.25 effective must be applied each year to the amount of the monthly annuity or benefit of the
4.26 annuitant or benefit recipient.

4.27 (b) Recipients of a duty disability benefit paid under section 353.656, subdivision 1 or
4.28 1a, are entitled to an annual postretirement adjustment, effective as of each January 1, as
4.29 follows:

4.30 (1) for each benefit recipient who has been receiving a benefit for at least 36 full months
4.31 as of the immediately preceding June 30, a postretirement increase of three percent must
4.32 be applied each year to the amount of the monthly benefit of the benefit recipient; or

5.1 (2) for each benefit recipient who has been receiving a benefit for at least 25 full months,
 5.2 but less than 36 months as of the immediately preceding June 30, a postretirement increase
 5.3 of 1/12 of three percent for each full month that the person has been receiving a benefit
 5.4 during the fiscal year in which the benefit was effective must be applied each year to the
 5.5 amount of the monthly benefit of the benefit recipient.

5.6 (c) Recipients of a retirement annuity paid under section 353.656, subdivision 5a, are
 5.7 entitled to a postretirement adjustment under paragraph (a).

5.8 ~~(b)~~ (d) An increase in annuity or benefit payments under this section must be made
 5.9 automatically unless written notice is filed by the annuitant or benefit recipient with the
 5.10 executive director of the Public Employees Retirement Association requesting that the
 5.11 increase not be made.

5.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.13 Sec. 6. Minnesota Statutes 2022, section 356.415, subdivision 1e, is amended to read:

5.14 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a)
 5.15 Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
 5.16 retirement plan, except for recipients of a duty disability benefit paid under section 352B.10,
 5.17 subdivision 1, are entitled to an annual postretirement adjustment, effective as of each
 5.18 January 1, as follows:

5.19 (1) a postretirement increase of one percent must be applied each year to the monthly
 5.20 annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity
 5.21 or a benefit for at least 12 full months as of the June 30 of the calendar year immediately
 5.22 before the adjustment; and

5.23 (2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit
 5.24 for at least one full month, but less than 12 full months as of the June 30 of the calendar
 5.25 year immediately before the adjustment, an annual postretirement increase of 1/12 of one
 5.26 percent for each month that the person has been receiving an annuity or benefit must be
 5.27 applied to the amount of the monthly annuity or benefit of each annuitant or benefit recipient.

5.28 (b) Recipients of a duty disability benefit paid under section 352B.10, subdivision 1,
 5.29 are entitled to an annual postretirement adjustment, effective as of each January 1, as follows:

5.30 (1) a postretirement increase of three percent must be applied each year to the monthly
 5.31 benefit of each benefit recipient who has been receiving a benefit for at least 12 full months
 5.32 as of June 30 of the calendar year immediately before the adjustment; and

6.1 (2) for each benefit recipient who has been receiving a benefit for at least one full month,
6.2 but less than 12 full months as of June 30 of the calendar year immediately before the
6.3 adjustment, an annual postretirement increase of 1/12 of three percent for each month that
6.4 the person has been receiving a benefit must be applied to the amount of the benefit of each
6.5 benefit recipient.

6.6 (c) Recipients of a retirement annuity paid under section 352B.105, subdivision 2 or 3,
6.7 are entitled to a postretirement adjustment under paragraph (a).

6.8 ~~(b)~~ (d) An increase in annuity or benefit payments under this subdivision must be made
6.9 automatically unless written notice is filed by the annuitant or benefit recipient with the
6.10 executive director of the applicable covered retirement plan requesting that the increase not
6.11 be made.

6.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.