

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-SECOND SESSION**

**S.F. No. 3692**

(SENATE AUTHORS: NELSON)

DATE	D-PG	OFFICIAL STATUS
03/03/2022	5200	Introduction and first reading Referred to Taxes
04/06/2022	6638a	Comm report: To pass as amended
	6662	Second reading
04/07/2022	6856	Special Order
	6869	Third reading Passed
	6869	Laid on table
		See HF3669

1.1 A bill for an act

1.2 relating to taxation; modifying individual income, corporate franchise, and estate

1.3 taxes; proposing certain federal conformity for individual income and corporate

1.4 franchise taxes; proposing changes to income tax rates, a full subtraction of Social

1.5 Security benefits, and portability of the estate tax exclusion; amending Minnesota

1.6 Statutes 2020, sections 289A.02, subdivision 7; 289A.10, subdivision 1, by adding

1.7 a subdivision; 289A.12, by adding a subdivision; 290.0123, subdivision 3;

1.8 290.0131, by adding subdivisions; 290.0132, subdivisions 18, 26, by adding

1.9 subdivisions; 290.0133, by adding subdivisions; 290.0134, by adding subdivisions;

1.10 290.06, subdivision 2d; 290.0671, subdivision 1a; 290.0675, subdivision 1; 290.091,

1.11 subdivision 2; 290.095, subdivision 11; 290A.03, subdivision 15; 291.005,

1.12 subdivision 1; 291.016, subdivision 3; 291.03, subdivision 1; Minnesota Statutes

1.13 2021 Supplement, sections 289A.08, subdivision 7; 290.01, subdivisions 19, 31;

1.14 290.06, subdivision 2c; 290.993.

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

1.16 **ARTICLE 1**

1.17 **FEDERAL UPDATE**

1.18 Section 1. Minnesota Statutes 2020, section 289A.02, subdivision 7, is amended to read:

1.19 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal

1.20 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~

1.21 ~~31, 2018~~ November 15, 2021.

1.22 **EFFECTIVE DATE.** This section is effective the day following final enactment, except

1.23 the changes incorporated by federal changes are effective retroactively at the same time the

1.24 changes were effective for federal purposes, but are subject to the application of Minnesota

1.25 Statutes, section 290.993, subdivision 2.

2.1 Sec. 2. Minnesota Statutes 2021 Supplement, section 289A.08, subdivision 7, is amended  
2.2 to read:

2.3 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**  
2.4 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to  
2.5 file a composite return and to pay the tax on behalf of nonresident partners who have no  
2.6 other Minnesota source income. This composite return must include the names, addresses,  
2.7 Social Security numbers, income allocation, and tax liability for the nonresident partners  
2.8 electing to be covered by the composite return.

2.9 (b) The computation of a partner's tax liability must be determined by multiplying the  
2.10 income allocated to that partner by the highest rate used to determine the tax liability for  
2.11 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard  
2.12 deductions, or personal exemptions are not allowed.

2.13 (c) The partnership must submit a request to use this composite return filing method for  
2.14 nonresident partners. The requesting partnership must file a composite return in the form  
2.15 prescribed by the commissioner of revenue. The filing of a composite return is considered  
2.16 a request to use the composite return filing method.

2.17 (d) The electing partner must not have any Minnesota source income other than the  
2.18 income from the partnership, other electing partnerships, and other qualifying entities  
2.19 electing to file and pay the pass-through entity tax under subdivision 7a. If it is determined  
2.20 that the electing partner has other Minnesota source income, the inclusion of the income  
2.21 and tax liability for that partner under this provision will not constitute a return to satisfy  
2.22 the requirements of subdivision 1. The tax paid for the individual as part of the composite  
2.23 return is allowed as a payment of the tax by the individual on the date on which the composite  
2.24 return payment was made. If the electing nonresident partner has no other Minnesota source  
2.25 income, filing of the composite return is a return for purposes of subdivision 1.

2.26 (e) This subdivision does not negate the requirement that an individual pay estimated  
2.27 tax if the individual's liability would exceed the requirements set forth in section 289A.25.  
2.28 The individual's liability to pay estimated tax is, however, satisfied when the partnership  
2.29 pays composite estimated tax in the manner prescribed in section 289A.25.

2.30 (f) If an electing partner's share of the partnership's gross income from Minnesota sources  
2.31 is less than the filing requirements for a nonresident under this subdivision, the tax liability  
2.32 is zero. However, a statement showing the partner's share of gross income must be included  
2.33 as part of the composite return.

3.1 (g) The election provided in this subdivision is only available to a partner who has no  
3.2 other Minnesota source income and who is either (1) a full-year nonresident individual or  
3.3 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the  
3.4 Internal Revenue Code.

3.5 (h) A corporation defined in section 290.9725 and its nonresident shareholders may  
3.6 make an election under this paragraph. The provisions covering the partnership apply to  
3.7 the corporation and the provisions applying to the partner apply to the shareholder.

3.8 (i) Estates and trusts distributing current income only and the nonresident individual  
3.9 beneficiaries of the estates or trusts may make an election under this paragraph. The  
3.10 provisions covering the partnership apply to the estate or trust. The provisions applying to  
3.11 the partner apply to the beneficiary.

3.12 (j) For the purposes of this subdivision, "income" means the partner's share of federal  
3.13 adjusted gross income from the partnership modified by the additions provided in section  
3.14 290.0131, subdivisions 8 to 10, 16, ~~and 17, 19, and 20~~, and the subtractions provided in:  
3.15 (1) section 290.0132, subdivisions 9, 27, and 28, to the extent the amount is assignable or  
3.16 allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14, 31,  
3.17 and 32. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on  
3.18 the composite tax computation to the extent the electing partner would have been allowed  
3.19 the subtraction.

3.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.21 31, 2021.

3.22 Sec. 3. Minnesota Statutes 2021 Supplement, section 290.01, subdivision 19, is amended  
3.23 to read:

3.24 Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a  
3.25 corporation taxable under section 290.02, the term "net income" means the federal taxable  
3.26 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through  
3.27 the date named in this subdivision, incorporating the federal effective dates of changes to  
3.28 the Internal Revenue Code and any elections made by the taxpayer in accordance with the  
3.29 Internal Revenue Code in determining federal taxable income for federal income tax  
3.30 purposes, and with the modifications provided in sections 290.0131 to 290.0136.

3.31 (b) For an individual, the term "net income" means federal adjusted gross income with  
3.32 the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

4.1 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
4.2 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
4.3 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
4.4 except that:

4.5 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal  
4.6 Revenue Code does not apply;

4.7 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
4.8 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest  
4.9 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
4.10 and

4.11 (3) the deduction for dividends paid must also be applied in the amount of any  
4.12 undistributed capital gains which the regulated investment company elects to have treated  
4.13 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

4.14 (d) The net income of a real estate investment trust as defined and limited by section  
4.15 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
4.16 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

4.17 (e) The net income of a designated settlement fund as defined in section 468B(d) of the  
4.18 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal  
4.19 Revenue Code.

4.20 (f) The Internal Revenue Code of 1986, as amended through ~~December 31, 2018~~  
4.21 November 15, 2021, applies for taxable years beginning after December 31, 1996, ~~except~~  
4.22 ~~the sections of federal law in section 290.0111 shall also apply.~~

4.23 (g) Except as otherwise provided, references to the Internal Revenue Code in this  
4.24 subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of  
4.25 determining net income for the applicable year.

4.26 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
4.27 the changes incorporated by federal changes are effective retroactively at the same time the  
4.28 changes were effective for federal purposes, but are subject to the application of Minnesota  
4.29 Statutes, section 290.993, subdivision 2.

5.1 Sec. 4. Minnesota Statutes 2021 Supplement, section 290.01, subdivision 31, is amended  
5.2 to read:

5.3 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
5.4 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
5.5 ~~31, 2018, except the sections of federal law in section 290.0111 shall also apply~~ November  
5.6 15, 2021. Internal Revenue Code also includes any uncodified provision in federal law that  
5.7 relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

5.8 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
5.9 the changes incorporated by federal changes are effective retroactively at the same time the  
5.10 changes were effective for federal purposes, but are subject to the application of Minnesota  
5.11 Statutes, section 290.993, subdivision 2.

5.12 Sec. 5. Minnesota Statutes 2020, section 290.0123, subdivision 3, is amended to read:

5.13 Subd. 3. **Amount for dependents.** For an individual who is a dependent, as defined in  
5.14 sections 151 and 152 of the Internal Revenue Code, of another taxpayer for a taxable year  
5.15 beginning in the calendar year in which the individual's taxable year begins, the standard  
5.16 deduction for that individual is limited to the greater of:

5.17 (1) \$1,100; or

5.18 (2) the lesser of (i) the sum of \$350 and that individual's earned income, as defined in  
5.19 section 32(c) of the Internal Revenue Code, except that a taxpayer must use earned income  
5.20 from the current taxable year; or (ii) the standard deduction amount allowed under subdivision  
5.21 1, clause (3).

5.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
5.23 after December 31, 2017.

5.24 Sec. 6. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision  
5.25 to read:

5.26 Subd. 19. **Meal expenses.** The amount of meal expenses in excess of the 50 percent  
5.27 limitation under section 274(n)(1) of the Internal Revenue Code allowed under subsection  
5.28 (n), paragraph (2), subparagraph (D), of that section is an addition.

5.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
5.30 31, 2021.

6.1 Sec. 7. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision  
6.2 to read:

6.3 Subd. 20. **Special limited adjustment.** (a) For taxable years beginning after December  
6.4 31, 2021, and before January 1, 2023, the amount calculated under section 290.993,  
6.5 subdivision 2, paragraph (c), that increases net income for the taxable year is an addition.

6.6 (b) Partners, shareholders, or beneficiaries who file their returns on a calendar year basis,  
6.7 and who received an addition from a pass-through entity filing their return on a fiscal year  
6.8 basis, must make the addition in the taxable year it is received as required for federal income  
6.9 tax purposes.

6.10 (c) This subdivision expires for taxable years beginning after December 31, 2023.

6.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.12 31, 2021, and before January 1, 2024.

6.13 Sec. 8. Minnesota Statutes 2020, section 290.0132, subdivision 18, is amended to read:

6.14 Subd. 18. **Net operating losses.** (a) The amount of the net operating loss allowed under  
6.15 section 290.095, subdivision 11, paragraph (c), is a subtraction.

6.16 (b) The unused portion of a net operating loss carryover under section 290.095,  
6.17 subdivision 11, paragraph (d), is a subtraction. The subtraction is the lesser of:

6.18 (1) the amount carried into the taxable year minus any subtraction made under this  
6.19 section for prior taxable years; or

6.20 (2) 80 percent of Minnesota taxable net income in a single taxable year and determined  
6.21 without regard to this subtraction.

6.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.23 31, 2021.

6.24 Sec. 9. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision  
6.25 to read:

6.26 Subd. 31. **Special Limited Adjustment.** (a) For taxable years beginning after December  
6.27 31, 2021, and before January 1, 2023, the amount calculated under section 290.993,  
6.28 subdivision 2, paragraph (c), that decreases net income for the taxable year is a subtraction.

6.29 (b) Partners, shareholders, or beneficiaries who file their returns on a calendar year basis,  
6.30 and who received a subtraction from a pass-through entity filing their return on a fiscal year

7.1 basis, must make the subtraction in the taxable year it is received as required for federal  
7.2 income tax purposes.

7.3 (c) This subdivision expires for taxable years beginning after December 31, 2023.

7.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
7.5 31, 2021, and before January 1, 2024.

7.6 Sec. 10. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision  
7.7 to read:

7.8 Subd. 32. **Delayed business interest.** For each of the five taxable years beginning after  
7.9 December 31, 2021, there is allowed a subtraction equal to one-fifth of the adjustment  
7.10 amount, to the extent not already deducted, for the exclusion under section 290.993,  
7.11 subdivision 2, paragraph (c), clause (11), due to the Coronavirus Aid, Relief and Economic  
7.12 Security Act, Public Law 116-136, section 2306.

7.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
7.14 31, 2021.

7.15 Sec. 11. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision  
7.16 to read:

7.17 Subd. 15. **Meal expenses.** The amount of meal expenses in excess of the 50 percent  
7.18 limitation under section 274(n)(1) of the Internal Revenue Code allowed under section  
7.19 274(n)(2)(D) of the Internal Revenue Code is an addition.

7.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
7.21 31, 2021.

7.22 Sec. 12. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision  
7.23 to read:

7.24 Subd. 16. **Special Limited Adjustment.** (a) For taxable years beginning after December  
7.25 31, 2021, and before January 1, 2023, the amount calculated under section 290.993,  
7.26 subdivision 2, paragraph (c), that increases net income for the taxable year is an addition.

7.27 (b) Partners, shareholders, or beneficiaries who file their returns on a calendar year basis,  
7.28 and who received an addition from a pass-through entity filing their return on a fiscal year  
7.29 basis, must make the addition in the taxable year it is received as required for federal income  
7.30 tax purposes.

7.31 (c) This subdivision expires for taxable years beginning after December 31, 2023.

8.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.2 31, 2021, and before January 1, 2024.

8.3 Sec. 13. Minnesota Statutes 2020, section 290.0134, is amended by adding a subdivision  
8.4 to read:

8.5 Subd. 20. **Special Limited Adjustment.** (a) For taxable years beginning after December  
8.6 31, 2021, and before January 1, 2023, the amount calculated under section 290.993,  
8.7 subdivision 2, paragraph (c), that decreases net income for the taxable year is a subtraction.

8.8 (b) Partners, shareholders, or beneficiaries who file their returns on a calendar year basis,  
8.9 and who received a subtraction from a pass-through entity filing their return on a fiscal year  
8.10 basis, must make the subtraction in the taxable year it is received as required for federal  
8.11 income tax purposes.

8.12 (c) This subdivision expires for taxable years beginning after December 31, 2023.

8.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.14 31, 2021, and before January 1, 2024.

8.15 Sec. 14. Minnesota Statutes 2020, section 290.0134, is amended by adding a subdivision  
8.16 to read:

8.17 Subd. 21. **Delayed business interest.** For each of the five taxable years beginning after  
8.18 December 31, 2021, there is allowed a subtraction equal to one-fifth of the adjustment  
8.19 amount, to the extent not already deducted, for the exclusion under section 290.993,  
8.20 subdivision 2, paragraph (c), clause (11), due to the Coronavirus Aid, Relief and Economic  
8.21 Security Act, Public Law 116-136, section 2306.

8.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.23 31, 2021.

8.24 Sec. 15. Minnesota Statutes 2021 Supplement, section 290.06, subdivision 2c, is amended  
8.25 to read:

8.26 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes  
8.27 imposed by this chapter upon married individuals filing joint returns and surviving spouses  
8.28 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to  
8.29 their taxable net income the following schedule of rates:

8.30 (1) On the first \$38,770, 5.35 percent;

8.31 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;

9.1 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;

9.2 (4) On all over \$269,010, 9.85 percent.

9.3 Married individuals filing separate returns, estates, and trusts must compute their income  
9.4 tax by applying the above rates to their taxable income, except that the income brackets  
9.5 will be one-half of the above amounts after the adjustment required in subdivision 2d.

9.6 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
9.7 computed by applying to taxable net income the following schedule of rates:

9.8 (1) On the first \$26,520, 5.35 percent;

9.9 (2) On all over \$26,520, but not over \$87,110, 6.8 percent;

9.10 (3) On all over \$87,110, but not over \$161,720, 7.85 percent;

9.11 (4) On all over \$161,720, 9.85 percent.

9.12 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as  
9.13 a head of household as defined in section 2(b) of the Internal Revenue Code must be  
9.14 computed by applying to taxable net income the following schedule of rates:

9.15 (1) On the first \$32,650, 5.35 percent;

9.16 (2) On all over \$32,650, but not over \$131,190, 6.8 percent;

9.17 (3) On all over \$131,190, but not over \$214,980, 7.85 percent;

9.18 (4) On all over \$214,980, 9.85 percent.

9.19 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
9.20 of any individual taxpayer whose taxable net income for the taxable year is less than an  
9.21 amount determined by the commissioner must be computed in accordance with tables  
9.22 prepared and issued by the commissioner of revenue based on income brackets of not more  
9.23 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in  
9.24 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
9.25 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

9.26 (e) An individual who is not a Minnesota resident for the entire year must compute the  
9.27 individual's Minnesota income tax as provided in this subdivision. After the application of  
9.28 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied  
9.29 by a fraction in which:

9.30 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
9.31 defined in section 62 of the Internal Revenue Code and increased by:

10.1 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~  
 10.2 17, 19, and 20, and 290.0137, paragraph (a); and reduced by

10.3 (ii) the Minnesota assignable portion of the subtraction for United States government  
 10.4 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,  
 10.5 subdivisions 9, 10, 14, 15, 17, 18, ~~and 27, 31, and 32~~, and 290.0137, paragraph (c), after  
 10.6 applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17;  
 10.7 and

10.8 (2) the denominator is the individual's federal adjusted gross income as defined in section  
 10.9 62 of the Internal Revenue Code, increased by:

10.10 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~  
 10.11 17, 19, and 20, and 290.0137, paragraph (a); and reduced by

10.12 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, ~~and~~  
 10.13 27, 31, and 32, and 290.0137, paragraph (c).

10.14 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying  
 10.15 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision  
 10.16 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as  
 10.17 provided in paragraph (e), and also must include, to the extent attributed to the electing  
 10.18 qualifying entity:

10.19 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the  
 10.20 addition under section 290.0131, subdivision 5; and

10.21 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the  
 10.22 subtraction under section 290.0132, subdivision 3.

10.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 10.24 31, 2021.

10.25 Sec. 16. Minnesota Statutes 2020, section 290.0671, subdivision 1a, is amended to read:

10.26 Subd. 1a. **Definitions.** For purposes of this section, the following terms "~~qualifying~~  
 10.27 ~~child,~~" and "~~earned income,~~" have the meanings given in ~~section 32(e) of the Internal~~  
 10.28 ~~Revenue Code,~~ and the term "~~adjusted gross income~~" has the meaning given in ~~section 62~~  
 10.29 ~~of the Internal Revenue Code.:~~

10.30 "~~Earned income of the lesser-earning spouse~~" has the meaning given in ~~section 290.0675,~~  
 10.31 ~~subdivision 1, paragraph (d).~~

11.1 (1) "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue  
 11.2 Code;

11.3 (2) "earned income" has the meaning given in section 32(c)(2) of the Internal Revenue  
 11.4 Code, except that a taxpayer must use earned income from the current taxable year;

11.5 (3) "adjusted gross income" has the meaning given in section 62 of the Internal Revenue  
 11.6 Code; and

11.7 (4) "earned income of the lesser earning spouse" has the meaning given in section  
 11.8 290.0675, subdivision 1, paragraph (d).

11.9 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 11.10 after December 31, 2017.

11.11 Sec. 17. Minnesota Statutes 2020, section 290.0675, subdivision 1, is amended to read:

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

11.14 (b) "Earned income" means the sum of the following, to the extent included in Minnesota  
 11.15 taxable income:

11.16 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code, except  
 11.17 that a taxpayer must use earned income from the current taxable year;

11.18 (2) income received from a retirement pension, profit-sharing, stock bonus, or annuity  
 11.19 plan; and

11.20 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

11.21 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

11.22 (d) "Earned income of lesser-earning spouse" means the earned income of the spouse  
 11.23 with the lesser amount of earned income as defined in paragraph (b) for the taxable year  
 11.24 minus one-half the amount of the standard deduction under section 290.0123, subdivision  
 11.25 1, clause (1).

11.26 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 11.27 after December 31, 2017.

11.28 Sec. 18. Minnesota Statutes 2020, section 290.091, subdivision 2, is amended to read:

11.29 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
 11.30 terms have the meanings given.

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

12.3 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
12.4 55(b)(2) of the Internal Revenue Code;

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

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

12.8 (ii) the medical expense deduction;

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

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

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

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

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

12.22 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, ~~and 16,~~ and  
12.23 20;

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

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

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

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

13.1 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
13.2 3, to the extent included in federal alternative minimum taxable income;

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

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

13.9 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
13.10 ~~paragraph~~ paragraphs (c) and (d); and

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

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

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

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

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

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

13.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
13.25 31, 2021.

13.26 Sec. 19. Minnesota Statutes 2020, section 290.095, subdivision 11, is amended to read:

13.27 Subd. 11. **Carryback or carryover adjustments.** (a) Except as provided in paragraph  
13.28 (c), for individuals, estates, and trusts the amount of a net operating loss that may be carried  
13.29 back or carried over shall be the same dollar amount allowable in the determination of  
13.30 federal taxable income, provided that, notwithstanding any other provision, estates and  
13.31 trusts must apply the following adjustments to the amount of the net operating loss that may  
13.32 be carried back or carried over:

14.1 (1) Nonassignable income or losses as required by section 290.17.

14.2 (2) Deductions not allocable to Minnesota under section 290.17.

14.3 (b) The net operating loss carryback or carryover applied as a deduction in the taxable  
14.4 year to which the net operating loss is carried back or carried over shall be equal to the net  
14.5 operating loss carryback or carryover applied in the taxable year in arriving at federal taxable  
14.6 income provided that trusts and estates must apply the following modifications:

14.7 (1) Increase the amount of carryback or carryover applied in the taxable year by the  
14.8 amount of losses and interest, taxes and other expenses not assignable or allowable to  
14.9 Minnesota incurred in the taxable year.

14.10 (2) Decrease the amount of carryback or carryover applied in the taxable year by the  
14.11 amount of income not assignable to Minnesota earned in the taxable year. For estates and  
14.12 trusts, the net operating loss carryback or carryover to the next consecutive taxable year  
14.13 shall be the net operating loss carryback or carryover as calculated in clause (b) less the  
14.14 amount applied in the earlier taxable year(s). No additional net operating loss carryback or  
14.15 carryover shall be allowed to estates and trusts if the entire amount has been used to offset  
14.16 Minnesota income in a year earlier than was possible on the federal return. However, if a  
14.17 net operating loss carryback or carryover was allowed to offset federal income in a year  
14.18 earlier than was possible on the Minnesota return, an estate or trust shall still be allowed to  
14.19 offset Minnesota income but only if the loss was assignable to Minnesota in the year the  
14.20 loss occurred.

14.21 (c) This paragraph does not apply to eligible small businesses that make a valid election  
14.22 to carry back their losses for federal purposes under section 172(b)(1)(H) of the Internal  
14.23 Revenue Code as amended through March 31, 2009.

14.24 (1) A net operating loss of an individual, estate, or trust that is allowed under this  
14.25 subdivision and for which the taxpayer elects to carry back for more than two years under  
14.26 section 172(b)(1)(H) of the Internal Revenue Code is a net operating loss carryback to each  
14.27 of the two taxable years preceding the loss, and unused portions may be carried forward for  
14.28 20 taxable years after the loss.

14.29 (2) The entire amount of the net operating loss for any taxable year must be carried to  
14.30 the earliest of the taxable years to which the loss may be carried. The portion of the loss  
14.31 which may be carried to each of the other taxable years is the excess, if any, of the amount  
14.32 of the loss over the greater of the taxable net income or alternative minimum taxable income  
14.33 for each of the taxable years to which the loss may be carried.

15.1 (d) For net operating loss carryovers or carrybacks arising in taxable years beginning  
 15.2 after December 31, 2017, and before December 31, 2020, a net operating loss carryover or  
 15.3 carryback is allowed as provided in the Internal Revenue Code as amended through December  
 15.4 31, 2018, as follows:

15.5 (1) the entire amount of the net operating loss, to the extent not already deducted, must  
 15.6 be carried to the earliest taxable year and any unused portion may be carried forward for  
 15.7 20 taxable years after the loss; and

15.8 (2) the portion of the loss which may be carried to each of the other taxable years is the  
 15.9 excess, if any, of the amount of the loss over the greater of the taxable net income or  
 15.10 alternative minimum taxable income for each of the taxable years to which the loss may be  
 15.11 carried.

15.12 **EFFECTIVE DATE.** This section is effective retroactively for losses arising in taxable  
 15.13 years beginning after December 31, 2017, and before December 31, 2020.

15.14 Sec. 20. Minnesota Statutes 2021 Supplement, section 290.993, is amended to read:

15.15 **290.993 SPECIAL LIMITED ADJUSTMENT.**

15.16 Subdivision 1. **Tax year 2018.** (a) For an individual, estate, or trust, or a partnership  
 15.17 that elects to file a composite return under section 289A.08, subdivision 7, for taxable years  
 15.18 beginning after December 31, 2017, and before January 1, 2019, the following special rules  
 15.19 apply:

15.20 (1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an  
 15.21 election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual  
 15.22 income tax purposes, regardless of the choice made on their federal return; and

15.23 (2) there is an adjustment to tax equal to the difference between the tax calculated under  
 15.24 this chapter using the Internal Revenue Code as amended through December 16, 2016, and  
 15.25 the tax calculated under this chapter using the Internal Revenue Code amended through  
 15.26 December 31, 2018, before the application of credits. The end result must be zero additional  
 15.27 tax due or refund.

15.28 (b) The adjustment in ~~paragraph (a), clause (2)~~ this subdivision, does not apply to any  
 15.29 changes due to sections 11012, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301,  
 15.30 13302, 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and  
 15.31 14501 of Public Law 115-97; and section 40411 of Public Law 115-123.

16.1 Subd. 2. Tax years 2017 to 2021. (a) For all taxpayers, including an entity that elects  
16.2 to file a composite return under section 289A.08, subdivision 7, and an entity that elects to  
16.3 pay the pass-through entity tax under section 289A.08, subdivision 7a; for taxable years  
16.4 beginning after December 31, 2016, and before January 1, 2022, the following rules apply.

16.5 (b) There is an adjustment to net income equal to the difference between the amount  
16.6 calculated and reported under this chapter incorporating the Internal Revenue Code as  
16.7 amended through Minnesota Laws 2021, First Special Session chapter 14, and the amount  
16.8 calculated under this chapter incorporating the Internal Revenue Code as amended through  
16.9 November 15, 2021. This adjustment is only allowed as provided in paragraph (c) and to  
16.10 the extent the taxpayer reported a related nonconformity adjustment on their return for  
16.11 taxable years beginning after December 31, 2016, and before January 1, 2022. This  
16.12 adjustment does not include the changes due to the:

16.13 (1) Taxpayer Certainty and Disaster Relief Act of 2020, Public Law 116-260, section  
16.14 114, exclusion of gross income of discharge of qualified principal residence indebtedness;

16.15 (2) Taxpayer Certainty and Disaster Relief Act of 2020, Public Law 116-260, section  
16.16 304(b), special rules for disaster-related personal casualty losses; and

16.17 (3) American Rescue Plan Act, Public Law 117-2, section 9675, modification of treatment  
16.18 of student loan forgiveness.

16.19 (c) For purposes of this subdivision, the term "nonconformity adjustment" means the  
16.20 difference between adjusted gross income as defined under section 62 of the Internal Revenue  
16.21 Code for individuals, and federal taxable income as defined under section 63 of the Internal  
16.22 Revenue Code for all other taxpayers incorporating the Internal Revenue Code as amended  
16.23 through Minnesota Laws 2021, First Special Session chapter 14, and the amount calculated  
16.24 under this chapter incorporating the Internal Revenue Code as amended through November  
16.25 15, 2021, but does not include impacts to state tax credits. The nonconformity adjustment  
16.26 is an addition or subtraction to net income but does not include the following federal law  
16.27 changes:

16.28 (1) Taxpayer Certainty and Disaster Relief Act of 2019, Public Law 116-94, section  
16.29 104, deduction of qualified tuition and related expenses;

16.30 (2) Taxpayer Certainty and Disaster Relief Act of 2019, Public Law 116-94, section  
16.31 203, employee retention credit for employers affected by qualified disasters;

16.32 (3) Families First Coronavirus Response Act, Public Law 116-127, section 7001, payroll  
16.33 credit for required paid sick leave;

- 17.1 (4) Families First Coronavirus Response Act, Public Law 116-127, section 7003, payroll  
17.2 credit for required paid family leave;
- 17.3 (5) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.4 2204, allowance of partial above the line deduction for charitable contributions;
- 17.5 (6) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.6 2205, excluding subsection (a), paragraph (B), temporary modification of limitations on  
17.7 charitable contributions as it applies to individual taxpayers only and including carryovers;
- 17.8 (7) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.9 2206, exclusion of certain employer payment of student loans;
- 17.10 (8) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.11 2301, employee retention credit for employers subject to closure due to COVID-19;
- 17.12 (9) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.13 2303, modifications for net operating losses;
- 17.14 (10) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.15 2304, modification of limitation on losses for taxpayers other than corporations;
- 17.16 (11) Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136, section  
17.17 2306, limitation on business interest;
- 17.18 (12) Taxpayer Certainty and Disaster Relief Act of 2020, Public Law 116-260, section  
17.19 207, extension and modification of employee retention and rehiring credit;
- 17.20 (13) Taxpayer Certainty and Disaster Relief Act of 2020, Public Law 116-260, section  
17.21 210, temporary allowance of full deduction for business meals;
- 17.22 (14) Taxpayer Certainty and Disaster Relief Act of 2020, Public Law 116-260, section  
17.23 303, employee retention credit for employers affected by qualified disasters;
- 17.24 (15) American Rescue Plan Act, Public Law 117-2, section 9501(b), preserving health  
17.25 benefits for workers;
- 17.26 (16) American Rescue Plan Act, Public Law 117-2, section 9631, refundability and  
17.27 enhancement of child and dependent care tax credit;
- 17.28 (17) American Rescue Plan Act, Public Law 117-2, section 9641, payroll sick and family  
17.29 leave credits; and
- 17.30 (18) American Rescue Plan Act, Public Law, 117-2, section 9651, extension of employee  
17.31 retention credit.

18.1 The addition or subtraction required must only be made in taxable years beginning after  
18.2 December 31, 2021, and before January 1, 2023. Except partners, shareholders, or  
18.3 beneficiaries who file their returns on a calendar year basis, and who received an addition  
18.4 or subtraction from a pass-through entity filing their return on a fiscal year basis, must make  
18.5 the addition or subtraction in the taxable year it is received as required for federal income  
18.6 tax purposes. For purposes of this subdivision, a pass-through entity is defined as an entity  
18.7 that is not subject to the tax imposed under section 290.02, including but not limited to S  
18.8 corporations, partnerships, estates, and trusts other than grantor trusts.

18.9 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
18.10 after December 31, 2016, and before January 1, 2024.

18.11 Sec. 21. Minnesota Statutes 2020, section 290A.03, subdivision 15, is amended to read:

18.12 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
18.13 Code of 1986, as amended through ~~December 31, 2018~~ November 15, 2021.

18.14 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property  
18.15 taxes payable in 2022 and rent paid in 2021 and thereafter.

18.16 Sec. 22. Minnesota Statutes 2020, section 291.005, subdivision 1, is amended to read:

18.17 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms  
18.18 used in this chapter shall have the following meanings:

18.19 (1) "Commissioner" means the commissioner of revenue or any person to whom the  
18.20 commissioner has delegated functions under this chapter.

18.21 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued  
18.22 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,  
18.23 increased by the value of any property in which the decedent had a qualifying income interest  
18.24 for life and for which an election was made under section 291.03, subdivision 1d, for  
18.25 Minnesota estate tax purposes, but was not made for federal estate tax purposes.

18.26 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
18.27 as amended through ~~December 31, 2018~~ November 15, 2021.

18.28 (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a)  
18.29 excluding therefrom any property included in the estate which has its situs outside Minnesota,  
18.30 and (b) including any property omitted from the federal gross estate which is includable in  
18.31 the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

19.1 (5) "Nonresident decedent" means an individual whose domicile at the time of death  
19.2 was not in Minnesota.

19.3 (6) "Personal representative" means the executor, administrator or other person appointed  
19.4 by the court to administer and dispose of the property of the decedent. If there is no executor,  
19.5 administrator or other person appointed, qualified, and acting within this state, then any  
19.6 person in actual or constructive possession of any property having a situs in this state which  
19.7 is included in the federal gross estate of the decedent shall be deemed to be a personal  
19.8 representative to the extent of the property and the Minnesota estate tax due with respect  
19.9 to the property.

19.10 (7) "Resident decedent" means an individual whose domicile at the time of death was  
19.11 in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply  
19.12 to determinations of domicile under this chapter.

19.13 (8) "Situs of property" means, with respect to:

19.14 (i) real property, the state or country in which it is located;

19.15 (ii) tangible personal property, the state or country in which it was normally kept or  
19.16 located at the time of the decedent's death or for a gift of tangible personal property within  
19.17 three years of death, the state or country in which it was normally kept or located when the  
19.18 gift was executed;

19.19 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
19.20 Code, owned by a nonresident decedent and that is normally kept or located in this state  
19.21 because it is on loan to an organization, qualifying as exempt from taxation under section  
19.22 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
19.23 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

19.24 (iv) intangible personal property, the state or country in which the decedent was domiciled  
19.25 at death or for a gift of intangible personal property within three years of death, the state or  
19.26 country in which the decedent was domiciled when the gift was executed.

19.27 For a nonresident decedent with an ownership interest in a pass-through entity with  
19.28 assets that include real or tangible personal property, situs of the real or tangible personal  
19.29 property, including qualified works of art, is determined as if the pass-through entity does  
19.30 not exist and the real or tangible personal property is personally owned by the decedent. If  
19.31 the pass-through entity is owned by a person or persons in addition to the decedent, ownership  
19.32 of the property is attributed to the decedent in proportion to the decedent's capital ownership  
19.33 share of the pass-through entity.

20.1 (9) "Pass-through entity" includes the following:

20.2 (i) an entity electing S corporation status under section 1362 of the Internal Revenue  
20.3 Code;

20.4 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

20.5 (iii) a single-member limited liability company or similar entity, regardless of whether  
20.6 it is taxed as an association or is disregarded for federal income tax purposes under Code  
20.7 of Federal Regulations, title 26, section 301.7701-3; or

20.8 (iv) a trust to the extent the property is includable in the decedent's federal gross estate;  
20.9 but excludes

20.10 (v) an entity whose ownership interest securities are traded on an exchange regulated  
20.11 by the Securities and Exchange Commission as a national securities exchange under section  
20.12 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

20.13 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
20.14 the changes incorporated by federal changes are effective retroactively at the same time the  
20.15 changes were effective for federal purposes.

## 20.16 **ARTICLE 2**

### 20.17 **INCOME AND ESTATE TAXES**

20.18 Section 1. Minnesota Statutes 2020, section 289A.10, subdivision 1, is amended to read:

20.19 Subdivision 1. **Return required.** In the case of a decedent who has an interest in property  
20.20 with a situs in Minnesota, the personal representative must submit a Minnesota estate tax  
20.21 return to the commissioner, on a form prescribed by the commissioner, if:

20.22 (1) a federal estate tax return is required to be filed; or

20.23 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in  
20.24 section 2001(b) of the Internal Revenue Code, made within three years of the date of the  
20.25 decedent's death exceeds ~~\$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for~~  
20.26 ~~estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016;~~  
20.27 ~~\$2,100,000 for estates of decedents dying in 2017; \$2,400,000 for estates of decedents dying~~  
20.28 ~~in 2018; \$2,700,000 for estates of decedents dying in 2019; and \$3,000,000 for estates of~~  
20.29 ~~decedents dying in 2020 and thereafter.~~

20.30 The return must contain a computation of the Minnesota estate tax due. The return must  
20.31 be signed by the personal representative.

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

21.2 Sec. 2. Minnesota Statutes 2020, section 289A.10, is amended by adding a subdivision to  
21.3 read:

21.4 **Subd. 1b. Election of portability of deceased spousal unused exclusion amounts;**  
21.5 **election irrevocable; deemed elections.** (a) A personal representative of a decedent's estate  
21.6 may elect, on a return required under subdivision 1, to allow a decedent's surviving spouse  
21.7 to take into account the decedent's deceased spousal unused exclusion amount, as provided  
21.8 in section 291.016, subdivision 3, paragraph (b).

21.9 (b) The election under paragraph (a) is irrevocable. By filing a return under subdivision  
21.10 1, the personal representative is deemed to have elected portability unless the personal  
21.11 representative states affirmatively on the return that the decedent's estate is not electing  
21.12 portability. The commissioner may prescribe the form of the election on the return.

21.13 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after June  
21.14 30, 2022.

21.15 Sec. 3. Minnesota Statutes 2020, section 289A.12, is amended by adding a subdivision to  
21.16 read:

21.17 **Subd. 19. Election of portability of deceased spousal unused exclusion amounts**  
21.18 **when estate tax return not required.** A personal representative of a decedent's estate that  
21.19 is not required to file a return under section 289A.10, subdivision 1, may file a return to  
21.20 allow a decedent's surviving spouse to take into account the decedent's deceased spousal  
21.21 unused exclusion amount, as provided in section 291.016, subdivision 3, paragraph (b). The  
21.22 return is subject to the same provisions as a return required under section 289A.10,  
21.23 subdivision 1.

21.24 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after June  
21.25 30, 2022.

21.26 Sec. 4. Minnesota Statutes 2020, section 290.0132, subdivision 26, is amended to read:

21.27 **Subd. 26. Social Security benefits.** ~~(a) A portion~~ The amount of taxable Social Security  
21.28 benefits received by a taxpayer in the taxable year is allowed as a subtraction. ~~The subtraction~~  
21.29 ~~equals the lesser of taxable Social Security benefits or a maximum subtraction subject to~~  
21.30 ~~the limits under paragraphs (b), (c), and (d).~~

22.1 ~~(b) For married taxpayers filing a joint return and surviving spouses, the maximum~~  
 22.2 ~~subtraction equals \$5,150. The maximum subtraction is reduced by 20 percent of provisional~~  
 22.3 ~~income over \$78,180. In no case is the subtraction less than zero.~~

22.4 ~~(c) For single or head-of-household taxpayers, the maximum subtraction equals \$4,020.~~  
 22.5 ~~The maximum subtraction is reduced by 20 percent of provisional income over \$61,080.~~  
 22.6 ~~In no case is the subtraction less than zero.~~

22.7 ~~(d) For married taxpayers filing separate returns, the maximum subtraction equals~~  
 22.8 ~~one-half the maximum subtraction for joint returns under paragraph (b). The maximum~~  
 22.9 ~~subtraction is reduced by 20 percent of provisional income over one-half the threshold~~  
 22.10 ~~amount specified in paragraph (b). In no case is the subtraction less than zero.~~

22.11 ~~(e) For purposes of this subdivision, "provisional income" means modified adjusted~~  
 22.12 ~~gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of~~  
 22.13 ~~the taxable Social Security benefits received during the taxable year, and "Social Security~~  
 22.14 ~~benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.~~

22.15 ~~(f) The commissioner shall adjust the maximum subtraction and threshold amounts in~~  
 22.16 ~~paragraphs (b) to (d) as provided in section 270C.22. The statutory year is taxable year~~  
 22.17 ~~2019. The maximum subtraction and threshold amounts as adjusted must be rounded to the~~  
 22.18 ~~nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10~~  
 22.19 ~~amount.~~

22.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 22.21 31, 2021.

22.22 Sec. 5. Minnesota Statutes 2021 Supplement, section 290.06, subdivision 2c, is amended  
 22.23 to read:

22.24 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes  
 22.25 imposed by this chapter upon married individuals filing joint returns and surviving spouses  
 22.26 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to  
 22.27 their taxable net income the following schedule of rates:

22.28 (1) On the first ~~\$38,770~~ \$41,050, ~~5.35~~ 2.8 percent;

22.29 (2) On all over ~~\$38,770~~ \$41,050, but not over ~~\$154,020~~ \$163,060, 6.8 percent;

22.30 (3) On all over ~~\$154,020~~ \$163,060, but not over ~~\$269,010~~ \$284,810, 7.85 percent;

22.31 (4) On all over ~~\$269,010~~ \$284,810, 9.85 percent.

23.1 Married individuals filing separate returns, estates, and trusts must compute their income  
 23.2 tax by applying the above rates to their taxable income, except that the income brackets  
 23.3 will be one-half of the above amounts after the adjustment required in subdivision 2d.

23.4 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
 23.5 computed by applying to taxable net income the following schedule of rates:

23.6 (1) On the first ~~\$26,520~~ \$28,080, ~~5.35~~ 2.8 percent;

23.7 (2) On all over ~~\$26,520~~ \$28,080, but not over ~~\$87,110~~ \$92,230, 6.8 percent;

23.8 (3) On all over ~~\$87,110~~ \$92,230, but not over ~~\$161,720~~ \$171,220, 7.85 percent;

23.9 (4) On all over ~~\$161,720~~ \$171,220, 9.85 percent.

23.10 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as  
 23.11 a head of household as defined in section 2(b) of the Internal Revenue Code must be  
 23.12 computed by applying to taxable net income the following schedule of rates:

23.13 (1) On the first ~~\$32,650~~ \$34,570, ~~5.35~~ 2.8 percent;

23.14 (2) On all over ~~\$32,650~~ \$34,570, but not over ~~\$131,190~~ \$138,890, 6.8 percent;

23.15 (3) On all over ~~\$131,190~~ \$138,890, but not over ~~\$214,980~~ \$227,600, 7.85 percent;

23.16 (4) On all over ~~\$214,980~~ \$227,600, 9.85 percent.

23.17 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
 23.18 of any individual taxpayer whose taxable net income for the taxable year is less than an  
 23.19 amount determined by the commissioner must be computed in accordance with tables  
 23.20 prepared and issued by the commissioner of revenue based on income brackets of not more  
 23.21 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in  
 23.22 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
 23.23 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

23.24 (e) An individual who is not a Minnesota resident for the entire year must compute the  
 23.25 individual's Minnesota income tax as provided in this subdivision. After the application of  
 23.26 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied  
 23.27 by a fraction in which:

23.28 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
 23.29 defined in section 62 of the Internal Revenue Code and increased by:

23.30 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and  
 23.31 17, and 290.0137, paragraph (a); and reduced by

24.1 (ii) the Minnesota assignable portion of the subtraction for United States government  
 24.2 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,  
 24.3 subdivisions 9, 10, 14, 15, 17, 18, and 27, and 290.0137, paragraph (c), after applying the  
 24.4 allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

24.5 (2) the denominator is the individual's federal adjusted gross income as defined in section  
 24.6 62 of the Internal Revenue Code, increased by:

24.7 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and  
 24.8 17, and 290.0137, paragraph (a); and reduced by

24.9 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, and  
 24.10 27, and 290.0137, paragraph (c).

24.11 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying  
 24.12 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision  
 24.13 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as  
 24.14 provided in paragraph (e), and also must include, to the extent attributed to the electing  
 24.15 qualifying entity:

24.16 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the  
 24.17 addition under section 290.0131, subdivision 5; and

24.18 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the  
 24.19 subtraction under section 290.0132, subdivision 3.

24.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 24.21 31, 2021.

24.22 Sec. 6. Minnesota Statutes 2020, section 290.06, subdivision 2d, is amended to read:

24.23 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust  
 24.24 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed  
 24.25 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~  
 24.26 2022. The rate applicable to any rate bracket must not be changed. The dollar amounts  
 24.27 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
 24.28 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
 24.29 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the  
 24.30 rate bracket for married filing separate returns after this adjustment is done. The rate bracket  
 24.31 for married filing separate must be one-half of the rate bracket for married filing joint.

25.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 25.2 31, 2021.

25.3 Sec. 7. Minnesota Statutes 2020, section 291.016, subdivision 3, is amended to read:

25.4 Subd. 3. **Subtraction.** (a) ~~For estates of decedents dying after December 31, 2016,~~ A  
 25.5 subtraction is allowed in computing the Minnesota taxable estate, equal to the sum of:

25.6 (1) ~~the~~ an exclusion amount ~~for the year of death under paragraph (b)~~ of \$3,000,000;  
 25.7 and

25.8 ~~(2) the lesser of:~~

25.9 ~~(i) (2) the value of qualified small business property under section 291.03, subdivision~~  
 25.10 ~~9, and the value of qualified farm property under section 291.03, subdivision 10; or, up to~~  
 25.11 \$2,000,000.

25.12 ~~(ii) \$5,000,000 minus the exclusion amount for the year of death under paragraph (b).~~

25.13 ~~(b) The following exclusion amounts apply for the year of death:~~

25.14 ~~(1) \$2,100,000 for decedents dying in 2017;~~

25.15 ~~(2) \$2,400,000 for decedents dying in 2018;~~

25.16 ~~(3) \$2,700,000 for decedents dying in 2019; and~~

25.17 ~~(4) \$3,000,000 for decedents dying in 2020 and thereafter.~~

25.18 (b) In the case of a decedent that is a surviving spouse there is an additional subtraction  
 25.19 allowed in computing the Minnesota taxable estate, a deceased spousal unused exclusion  
 25.20 amount, which is equal to the lesser of:

25.21 (1) \$3,000,000; or

25.22 (2) the excess of \$3,000,000 over the amount of the Minnesota taxable estate of the last  
 25.23 deceased spouse of the decedent, but not including in the taxable estate property described  
 25.24 in section 291.03, subdivisions 9 and 10, and computed without regard to the subtractions  
 25.25 in this subdivision, but in no case less than zero.

25.26 (c) The subtraction under this subdivision must not reduce the Minnesota taxable estate  
 25.27 to less than zero.

25.28 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after June  
 25.29 30, 2022.

26.1 Sec. 8. Minnesota Statutes 2020, section 291.03, subdivision 1, is amended to read:

26.2 Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the  
 26.3 Minnesota taxable estate the following schedule of rates and then multiplying the resulting  
 26.4 amount ~~multiplied~~ by a fraction, not greater than one, the numerator of which is the value  
 26.5 of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2,  
 26.6 clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate  
 26.7 plus the value of gifts under section 291.016, subdivision 2, clause (3):

26.8 ~~(a) For estates of decedents dying in 2017:~~

26.9	Amount of Minnesota Taxable Estate	Rate of Tax
26.10	Not over \$5,100,000	<del>12 percent</del>
26.11	<del>Over \$5,100,000 but not over \$7,100,000</del>	<del>\$612,000 plus 12.8 percent of the excess over</del>
26.12		<del>\$5,100,000</del>
26.13	<del>Over \$7,100,000 but not over \$8,100,000</del>	<del>\$868,000 plus 13.6 percent of the excess over</del>
26.14		<del>\$7,100,000</del>
26.15	<del>Over \$8,100,000 but not over \$9,100,000</del>	<del>\$1,004,000 plus 14.4 percent of the excess</del>
26.16		<del>over \$8,100,000</del>
26.17	<del>Over \$9,100,000 but not over \$10,100,000</del>	<del>\$1,148,000 plus 15.2 percent of the excess</del>
26.18		<del>over \$9,100,000</del>
26.19	<del>Over \$10,100,000</del>	<del>\$1,300,000 plus 16 percent of the excess over</del>
26.20		<del>\$10,100,000</del>

26.21 ~~(b) For estates of decedents dying in 2018 and thereafter:~~

26.22	Amount of Minnesota Taxable Estate	Rate of Tax
26.23	Not over \$7,100,000	13 percent
26.24	Over \$7,100,000 but not over \$8,100,000	\$923,000 plus 13.6 percent of the excess over
26.25		\$7,100,000
26.26	Over \$8,100,000 but not over \$9,100,000	\$1,059,000 plus 14.4 percent of the excess
26.27		over \$8,100,000
26.28	Over \$9,100,000 but not over \$10,100,000	\$1,203,000 plus 15.2 percent of the excess
26.29		over \$9,100,000
26.30	Over \$10,100,000	\$1,355,000 plus 16 percent of the excess over
26.31		\$10,100,000

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