

290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal taxable income in computing net income for the taxable year to which the amounts relate.

(b) The additions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal taxable income are an addition under this section.

Subd. 2. **Federally exempt interest income.** (a) Interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute is an addition.

(b) Exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code are an addition, except the portion of the exempt-interest dividends:

(1) exempt from state taxation under the laws of the United States; or

(2) derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, or governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from those Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under clause (1), that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment.

(c) For the purposes of paragraphs (a) and (b), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code is treated as interest income on obligations of the state in which the tribe is located.

Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** (a) The amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue Code.

(b) The addition under paragraph (a) may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under subdivision 12.

Subd. 4. **Capital gain on lump-sum distribution.** The capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies is an addition.

Subd. 5. **Income taxes deducted in computing federal adjusted gross income.** (a) The amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada is an addition to the extent allowed as a deduction in determining federal adjusted gross income.

(b) For the purpose of this subdivision, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b); 290.9727; 290.9728; and 290.9729.

Subd. 6. **Disallowed expense, interest, or taxes.** The amount of expense, interest, or taxes disallowed under section 290.10, subdivision 1, other than expenses or interest used in computing net interest income for the subtraction allowed under section 290.0132, subdivision 2, is an addition.

Subd. 7. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

Subd. 8. **Partner's pro rata share of net income.** The amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code is an addition.

Subd. 9. **Bonus depreciation.** (a) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code is an addition.

(b) For the purposes of this subdivision, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) of the Internal Revenue Code and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation deduction allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed.

Subd. 10. **Section 179 expensing.** 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

Subd. 11. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized deductions is an addition. The amount of disallowed itemized deductions, plus the addition required under subdivision 3, may not be more than the amount by which the itemized deductions, as allowed under section 63(d) of the Internal Revenue Code, exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code.

(b) The amount of disallowed itemized deductions is equal to the lesser of:

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

(2) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year.

(c) "Applicable amount" means \$100,000, or \$50,000 for a married individual filing a separate return. Each dollar amount is increased by an amount equal to:

(1) that dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3).

(d) "Itemized deductions" excludes:

- (1) the deduction for medical expenses under section 213 of the Internal Revenue Code;
- (2) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and
- (3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code.

Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount is an addition.

(b) The disallowed personal exemption amount is equal to the number of personal exemptions allowed under section 151(b) and (c) of the Internal Revenue Code multiplied by the dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage.

(c) For a married individual filing a separate return, "applicable percentage" means two percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. For all other filers, applicable percentage means two percentage points for each \$2,500, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. The applicable percentage must not exceed 100 percent.

(d) "Threshold amount" means:

- (1) \$150,000 for a joint return or a surviving spouse;
- (2) \$125,000 for a head of a household;
- (3) \$100,000 for an individual who is not married and who is not a surviving spouse or head of a household; and
- (4) \$75,000 for a married individual filing a separate return.

(e) The thresholds must be increased by an amount equal to:

- (1) the threshold dollar amount, multiplied by
- (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3).

History: 1961 c 213 art 4 s 1; Ex1961 c 51 s 1; 1969 c 575 s 1; 1971 c 206 s 1; 1973 c 711 s 1; 1973 c 737 s 1; 1974 c 201 s 1; 1975 c 226 s 2; 1975 c 349 s 4,29; 1976 c 210 s 12; 1977 c 376 s 1; 1977 c 423 art 1 s 1; 1978 c 674 s 30; 1978 c 721 art 6 s 1; 1979 c 50 s 38; 1979 c 303 art 1 s 1; 1980 c 512 s 8; 1980 c 607 art 1 s 1; 1981 c 178 s 3; 1981 c 254 s 2; 1Sp1981 c 1 art 9 s 5; 3Sp1981 c 3 art 3 s 2; 1982 c 207 s 3; 1982 c 523 art 1 s 1; art 7 s 1; art 40 s 1; 3Sp1982 c 1 art 5 s 1; 1983 c 342 art 1 s 3; 1984 c 502 art 2 s 3; 1984 c 514 art 2 s 4; 1Sp1985 c 14 art 1 s 9; 1987 c 268 art 1 s 12; 1988 c 719 art 1 s 3; 1989 c 28 s

4; 1991 c 291 art 6 s 19; 1993 c 375 art 8 s 7; 1997 c 231 art 6 s 3; 1998 c 389 art 6 s 3; art 7 s 3,12; 1999 c 243 art 2 s 3; 2002 c 377 art 2 s 4; 2003 c 127 art 3 s 6; 2005 c 151 art 6 s 12; 1Sp2005 c 3 art 4 s 3; 1Sp2005 c 7 s 38; 2006 c 259 art 2 s 3; 2008 c 154 art 3 s 2; 2009 c 12 art 1 s 3; 2009 c 88 art 1 s 3; 2010 c 389 art 3 s 8; 2011 c 8 s 3; 2011 c 112 art 6 s 1; 1Sp2011 c 7 art 2 s 3; 2014 c 150 art 1 s 10; 2014 c 308 art 4 s 11; 2016 c 158 art 3 s 8