

**268B.145 INCOME TAX WITHHOLDING AND STATE TAXATION.**

Subdivision 1. **Federal income tax.** If the Internal Revenue Service determines that benefits received under this chapter are subject to federal income tax, the applicant may elect to have federal income tax deducted and withheld from the applicant's benefits.

Subd. 2. **State income tax.** Benefits received under this chapter are subject to state income tax. If the applicant elects to have federal income tax withheld, the applicant may, in addition, elect to have Minnesota state income tax withheld.

Subd. 3. **Notification.** Upon filing an application for benefits, the applicant must be informed that:

- (1) benefits are subject to federal and state income tax;
- (2) there are requirements for filing estimated tax payments;
- (3) the applicant may elect to have federal income tax withheld from benefits;
- (4) if the applicant elects to have federal income tax withheld, the applicant may, in addition, elect to have Minnesota state income tax withheld; and
- (5) at any time during the benefit year the applicant may change a prior election.

Subd. 4. **Withholding.** If an applicant elects to have federal income tax withheld, the commissioner must deduct ten percent for federal income tax. If an applicant also elects to have Minnesota state income tax withheld, the commissioner must make an additional five percent deduction for state income tax. Any amount deducted under section 268B.06 has priority over any amounts deducted under this section. Federal income tax withholding has priority over state income tax withholding. An election to have income tax withheld may not be retroactive and only applies to benefits paid after the election.

Subd. 5. **Transfer of funds.** The amount of any benefits deducted under this section remains in the family and medical benefit insurance account until transferred to the Internal Revenue Service, or the Department of Revenue, as an income tax payment on behalf of the applicant.

Subd. 6. **Correction of errors.** Any error that resulted in underwithholding or overwithholding under this section must not be corrected retroactively.

Subd. 7. **Effect of payments.** Any amount deducted under this section is considered as benefits paid to the applicant.

**History:** 2023 c 59 art 1 s 24

**NOTE:** This section, as added by Laws 2023, chapter 59, article 1, section 24, is effective January 1, 2026. Laws 2023, chapter 59, article 1, section 24, the effective date.