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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1341**

February 26, 2007
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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; income; allowing a refundable credit for adoption expenses;
1.3 appropriating money; proposing coding for new law in Minnesota Statutes,
1.4 chapter 290.

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

1.6 Section 1. **[290.0678] ADOPTION CREDIT.**

1.7 Subdivision 1. Credit allowed. (a) An individual is allowed a credit against the tax
1.8 imposed by this chapter equal to the amount of Minnesota qualified adoption expenses.

1.9 (b) Minnesota qualified adoption expenses for an eligible child who is not a child
1.10 with special needs equal 50 percent of the following amounts paid or incurred:

1.11 (1) the total qualified adoption expenses under section 23 of the Internal Revenue
1.12 Code, determined using twice the dollar limitation under section 23(b)(1) of the Internal
1.13 Revenue Code; minus

1.14 (2) the amount of the federal credit allowed under section 23 of the Internal Revenue
1.15 Code, determined without regard to the limitation based on the amount of tax under
1.16 section 23(b)(4) of the Internal Revenue Code; and minus

1.17 (3) the amount of the reduction of the federal credit under the income limitation
1.18 under section 23(b)(2) of the Internal Revenue Code.

1.19 (c) Minnesota qualified adoption expenses for a child with special needs equals the
1.20 greater of the following amounts:

1.21 (1) the amount determined under paragraph (b), but substituting a credit rate of
1.22 100 percent; or

1.23 (2) one-half of the federal dollar limitation under section 23(b)(1) of the Internal
1.24 Revenue Code, determined regardless of the expenses paid.

2.1 Subd. 2. **Federal definitions; limitations.** Unless otherwise specifically provided,
2.2 the definitions under section 23(d) of the Internal Revenue Code and the limitations on
2.3 allowable expenses under sections 23(b)(3) and 23(e) of the Internal Revenue Code apply
2.4 in determining the credit under this section.

2.5 Subd. 3. **Taxable years.** For purposes of calculating the credit under this section,
2.6 expenses and credits are allowed in the same taxable year as allowed under the federal
2.7 credit under section 23(a)(2) of the Internal Revenue Code.

2.8 Subd. 4. **Credit refundable.** If the amount of the credit exceeds the claimant's tax
2.9 liability under this chapter, the commissioner shall refund the excess to the claimant.

2.10 Subd. 5. **Appropriation.** An amount sufficient to pay the refunds required by this
2.11 section is appropriated to the commissioner from the general fund.

2.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.13 December 31, 2006.