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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-SIXTH
SESSION**

HOUSE FILE No. 405

January 29, 2009

Authored by Brod, Smith, Magnus, Sanders, Dettmer and others
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 individual income taxation; reducing tax rates; amending Minnesota
1.3 Statutes 2008, sections 290.06, subdivision 2c; 290.091, subdivision 1.

1.4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

1.5 Section 1. Minnesota Statutes 2008, section 290.06, subdivision 2c, is amended to read:

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

- 1.10 (1) On the first \$25,680, ~~5.35~~ 4.85 percent;
- 1.11 (2) On all over \$25,680, but not over \$102,030, ~~7.05~~ 6.85 percent;
- 1.12 (3) On all over \$102,030, 7.85 percent.

1.13 Married individuals filing separate returns, estates, and trusts must compute their
1.14 income tax by applying the above rates to their taxable income, except that the income
1.15 brackets will be one-half of the above amounts.

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

- 1.18 (1) On the first \$17,570, ~~5.35~~ 4.85 percent;
- 1.19 (2) On all over \$17,570, but not over \$57,710, ~~7.05~~ 6.85 percent;
- 1.20 (3) On all over \$57,710, 7.85 percent.

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

- 1.24 (1) On the first \$21,630, ~~5.35~~ 4.85 percent;

2.1 (2) On all over \$21,630, but not over \$86,910, ~~7.05~~ 6.85 percent;

2.2 (3) On all over \$86,910, 7.85 percent.

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

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

2.14 (1) the numerator is the individual's Minnesota source federal adjusted gross income
 2.15 as defined in section 62 of the Internal Revenue Code and increased by the additions
 2.16 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), and
 2.17 (13) and reduced by the Minnesota assignable portion of the subtraction for United States
 2.18 government interest under section 290.01, subdivision 19b, clause (1), and the subtractions
 2.19 under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), after applying
 2.20 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

2.21 (2) the denominator is the individual's federal adjusted gross income as defined in
 2.22 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
 2.23 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), and (13) and
 2.24 reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9),
 2.25 (10), (14), (15), and (16).

2.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.27 December 31, 2008.

2.28 Sec. 2. Minnesota Statutes 2008, section 290.091, subdivision 1, is amended to read:

2.29 Subdivision 1. **Imposition of tax.** In addition to all other taxes imposed by this
 2.30 chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

2.31 (a) an amount equal to ~~6.4~~ six percent of alternative minimum taxable income after
 2.32 subtracting the exemption amount, over

2.33 (b) the regular tax for the taxable year.

- 3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
- 3.2 December 31, 2008.