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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 4188

April 10, 2008

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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; increasing the maximum property tax refund; decreasing
1.3 the income threshold for homeowners' property tax refund; allowing a second
1.4 exemption amount for married claimants who are both 65 or older or disabled;
1.5 amending Minnesota Statutes 2006, sections 290A.03, subdivision 3; 290A.04,
1.6 subdivision 2.

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

1.8 Section 1. Minnesota Statutes 2006, section 290A.03, subdivision 3, is amended to
1.9 read:

1.10 Subd. 3. **Income.** (1) "Income" means the sum of the following:

1.11 (a) federal adjusted gross income as defined in the Internal Revenue Code; and

1.12 (b) the sum of the following amounts to the extent not included in clause (a):

1.13 (i) all nontaxable income;

1.14 (ii) the amount of a passive activity loss that is not disallowed as a result of section
1.15 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity
1.16 loss carryover allowed under section 469(b) of the Internal Revenue Code;

1.17 (iii) an amount equal to the total of any discharge of qualified farm indebtedness
1.18 of a solvent individual excluded from gross income under section 108(g) of the Internal
1.19 Revenue Code;

1.20 (iv) cash public assistance and relief;

1.21 (v) any pension or annuity (including railroad retirement benefits, all payments
1.22 received under the federal Social Security Act, supplemental security income, and veterans
1.23 benefits), which was not exclusively funded by the claimant or spouse, or which was
1.24 funded exclusively by the claimant or spouse and which funding payments were excluded
1.25 from federal adjusted gross income in the years when the payments were made;

- 2.1 (vi) interest received from the federal or a state government or any instrumentality
2.2 or political subdivision thereof;
- 2.3 (vii) workers' compensation;
- 2.4 (viii) nontaxable strike benefits;
- 2.5 (ix) the gross amounts of payments received in the nature of disability income or
2.6 sick pay as a result of accident, sickness, or other disability, whether funded through
2.7 insurance or otherwise;
- 2.8 (x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code of
2.9 1986, as amended through December 31, 1995;
- 2.10 (xi) contributions made by the claimant to an individual retirement account,
2.11 including a qualified voluntary employee contribution; simplified employee pension plan;
2.12 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
2.13 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
2.14 Internal Revenue Code;
- 2.15 (xii) nontaxable scholarship or fellowship grants;
- 2.16 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue
2.17 Code; and
- 2.18 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal
2.19 Revenue Code.
- 2.20 In the case of an individual who files an income tax return on a fiscal year basis, the
2.21 term "federal adjusted gross income" shall mean federal adjusted gross income reflected
2.22 in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be
2.23 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
2.24 carryback or carryforward allowed for the year.
- 2.25 (2) "Income" does not include:
- 2.26 (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and
2.27 102;
- 2.28 (b) amounts of any pension or annuity which was exclusively funded by the claimant
2.29 or spouse and which funding payments were not excluded from federal adjusted gross
2.30 income in the years when the payments were made;
- 2.31 (c) surplus food or other relief in kind supplied by a governmental agency;
- 2.32 (d) relief granted under this chapter;
- 2.33 (e) child support payments received under a temporary or final decree of dissolution
2.34 or legal separation; or

3.1 (f) restitution payments received by eligible individuals and excludable interest as
 3.2 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of
 3.3 2001, Public Law 107-16.

3.4 (3) The sum of the following amounts may be subtracted from income:

3.5 (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

3.6 (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

3.7 (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

3.8 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

3.9 (e) for the claimant's fifth dependent, the exemption amount; ~~and~~

3.10 (f) if the claimant ~~or claimant's spouse~~ was disabled or attained the age of 65
 3.11 on or before December 31 of the year for which the taxes were levied or rent paid, the
 3.12 exemption amount; and

3.13 (g) if the claimant's spouse was disabled or attained the age of 65 on or before
 3.14 December 31 of the year for which the taxes were levied or rent paid, the exemption
 3.15 amount.

3.16 For purposes of this subdivision, the "exemption amount" means the exemption
 3.17 amount under section 151(d) of the Internal Revenue Code for the taxable year for which
 3.18 the income is reported.

3.19 **EFFECTIVE DATE.** This section is effective for claims based on taxes payable in
 3.20 2009 and following years, and for claims based on rent paid in 2008 and following years.

3.21 Sec. 2. Minnesota Statutes 2006, section 290A.04, subdivision 2, is amended to read:

3.22 Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess
 3.23 of the percentage of the household income stated below shall pay an amount equal to
 3.24 the percent of income shown for the appropriate household income level along with the
 3.25 percent to be paid by the claimant of the remaining amount of property taxes payable.
 3.26 The state refund equals the amount of property taxes payable that remain, up to the state
 3.27 refund amount shown below.

3.28			Percent Paid by	Maximum State
3.29	Household Income	Percent of Income	Claimant	Refund
3.30	\$0 to 1,189	1.0 percent	15 percent	\$1,450 <u>\$1,740</u>
3.31	1,190 to 2,379	1.1 percent	15 percent	\$1,450 <u>\$1,740</u>
3.32	2,380 to 3,589	1.2 percent	15 percent	\$1,410 <u>\$1,690</u>
3.33	3,590 to 4,789	1.3 percent	20 percent	\$1,410 <u>\$1,690</u>
3.34	4,790 to 5,979	1.4 percent	20 percent	\$1,360 <u>\$1,630</u>
3.35	5,980 to 8,369	1.5 percent	20 percent	\$1,360 <u>\$1,630</u>
3.36	8,370 to 9,559	1.6 percent	25 percent	\$1,310 <u>\$1,570</u>

4.1	9,560 to 10,759	1.7 percent	25 percent	\$1,310 <u>\$1,570</u>
4.2	10,760 to 11,949	1.8 percent	25 percent	\$1,260 <u>\$1,510</u>
4.3	11,950 to 13,139	1.9 percent	30 percent	\$1,260 <u>\$1,510</u>
4.4	13,140 to 14,349	2.0 percent	30 percent	\$1,210 <u>\$1,450</u>
4.5	14,350 to 16,739	2.1 percent	30 percent	\$1,210 <u>\$1,450</u>
4.6	16,740 to 17,929	2.2 percent	35 percent	\$1,160 <u>\$1,390</u>
4.7	17,930 to 19,119	2.3 percent	35 percent	\$1,160 <u>\$1,390</u>
4.8	19,120 to 20,319	2.4 percent	35 percent	\$1,110 <u>\$1,330</u>
4.9	20,320 to 25,099	2.5 percent	40 percent	\$1,110 <u>\$1,330</u>
4.10	25,100 to 28,679	2.6 percent	40 percent	\$1,070 <u>\$1,280</u>
4.11	28,680 to 35,849	2.7 percent	40 percent	\$1,070 <u>\$1,280</u>
4.12	35,850 to 41,819	2.8 percent	45 percent	\$ 970 <u>\$1,160</u>
4.13	41,820 to 47,799	3.0 percent	45 percent	\$ 970 <u>\$1,160</u>
4.14	47,800 to 53,779	3.2 percent	45 percent	\$ 870 <u>\$1,040</u>
4.15	53,780 to 59,749	3.5 percent	50 percent	\$ 780 <u>\$940</u>
4.16	59,750 to 65,729	4.0 <u>3.75</u> percent	50 percent	\$ 680 <u>\$820</u>
4.17	65,730 to 69,319	4.0 <u>3.75</u> percent	50 percent	\$ 580 <u>\$700</u>
4.18	69,320 to 71,719	4.0 <u>3.75</u> percent	50 percent	\$ 480 <u>\$580</u>
4.19	71,720 to 74,619	4.0 <u>3.75</u> percent	50 percent	\$ 390 <u>\$470</u>
4.20	74,620 to 77,519	4.0 <u>3.75</u> percent	50 percent	\$ 290 <u>\$350</u>

4.21 The payment made to a claimant shall be the amount of the state refund calculated
 4.22 under this subdivision. No payment is allowed if the claimant's household income is
 4.23 \$77,520 or more.

4.24 **EFFECTIVE DATE.** This section is effective beginning with refunds based on
 4.25 property taxes payable in 2009.