

News Release

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More than 200,000 Minnesotans Now One Step Closer Tax Relief

Updating the state's tax code to federal tax code will benefit students, businesses, homeowners and families

Department offers guidance for affected taxpayers as legislation makes its way to Governor Dayton

ST. PAUL, Minn. – Governor Mark Dayton and Minnesota lawmakers are poised to provide tax relief to thousands of Minnesota taxpayers by updating the state's tax code to the federal tax code for tax years 2015 and 2016.

The legislation provides \$21 million in tax relief for over 200,000 Minnesotans including: college students and their families paying for higher education, teachers buying classroom supplies out of their own pockets, homeowners who refinance their mortgages, and new homeowners paying mortgage insurance. The bill also includes significant benefits for businesses. The provisions in the bill were also included in Governor Dayton's 2017 Tax Bill released last week.

"We are pleased that lawmakers acted quickly and that the bill is on its way to the Governor," said Revenue Commissioner Cynthia Bauerly. "Quick passage of the bill will provide tax relief to thousands of Minnesotans and will ensure a smooth opening to the income tax filing season which begins on January 23."

Tax relief in the bill includes the following relief, among others, for Minnesotans who will begin filing individual income tax returns later this month:

- 35,000 college students and their families paying for higher education tuition would see a total of \$4.3 million in tax relief
- 70,000 teachers will be eligible for a tax deduction for the books, crayons, and other essential classroom materials they purchase, totaling \$3 million in tax savings for Minnesota teachers

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- Homeowners who refinanced their homes or went through a short sale would see a total tax cut of \$17.4 million
- 73,000 homeowners who pay mortgage insurance premiums for their qualified residence would see tax breaks totaling \$11.6 million.
- Olympians and Paralympians would have excluded from gross income the value of any Olympic or Paralympic medal or prize money received from the United States Olympic Committee for competing in the Olympic or Paralympic Games.

Guidance for affected taxpayers

What can taxpayers expect from the department?

To ensure a smooth filing season for taxpayers, the department will prioritize the work and provide instructions to taxpayers who may benefit from the recently passed legislation.

- First, we will make the necessary changes to 2016 income tax forms and instruction so that taxpayers can file the updated 2016 tax returns when income tax filing season opens on January 23, 2017.
- Second, we will process all 2016 individual income tax returns and make adjustments to the 2015 individual returns affected by the mortgage provision.
- Finally, we will review and adjust 2015 tax returns. We will notify taxpayers when we begin this process. Taxpayers should not file an amended 2015 tax return.

What do taxpayers need to do before filing 2016 income tax returns?

Taxpayers should look for updates to their out-of-the-box software and install the software updates to ensure they have the updated versions when filing their 2016 taxes.

Taxpayers should use the forms or instructions posted to our website after Friday, January 20, 2017, to ensure they have the updated versions when filing their 2016 taxes.

What do taxpayers need to do if their 2015 income tax returns are affected by this legislation?

If you are affected by changes made to the 2015 tax code, you do not need to do anything unless we notify you. We will review your 2015 income tax return. If you qualify for a new deduction or exclusion, one of three things will happen after our review:

1. We will make the necessary changes to your return, if possible. We will send you a letter explaining the changes and issue a refund.

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2. We will request (via letter) more information from you. We will use that information to make changes to your return, if possible. We will send you a letter explaining the changes and issue a refund.
3. If we cannot make changes to your return, we will notify you that you will need to file an amended return to get the benefits of these tax law changes. **Do not amend your return for these new deductions or exclusions unless we notify you via letter.** You (or your tax preparer) may decide to amend your return for other reasons.

No taxpayers will owe additional tax as a result of these changes.

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