MINNESOTA · REVENUE

INDIVIDUAL INCOME TAX
Exclusion for Deferred Wages

March 10, 2011

Preliminary Analysis

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 851 (Runbeck)

	Fund Impact			
	F.Y. 2012	**F.Y. 2013**	**F.Y. 2014**	**F.Y. 2015**
	(000's)			
General Fund	- - - - - Estimate Pending - - - - -			

Effective beginning with tax year 2011.

EXPLANATION OF THE BILL

Current Law: For a Minnesota resident, all income is assigned to Minnesota. For a nonresident, the general rule is that wage income is assigned to Minnesota if the work was performed in the state.

Proposed Law: The bill would provide that certain deferred Minnesota wages received by a nonresident would not be considered Minnesota wages for purposes of the individual income tax. The provision would apply to wages received by a person who is a nonresident for the entire year if the wages are for work performed while the recipient was a Minnesota resident.

A similar provision was enacted in 2000 and repealed in 2008.

REVENUE ANALYSIS DETAIL

- It appears that no other state with an income tax has an exclusion for deferred wages. Therefore, information from other states could not be used for the estimate.
- Minnesota returns filed by nonresidents for tax year 2008 were compared to tax year 2007 returns to identify taxpayers who were affected by the 2008 law change.
- If the impact of the proposal is similar to the impact of the 2008 law change (but in the opposite direction), preliminary analysis indicates that the revenue loss from the proposal would be at least $20 million annually.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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