

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Alternative Minimum Tax; Dependent Exemption Deduction from AMTI

April 24, 2006

Department of Revenue
Analysis of H.F. 2930 (Lenczewski)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	(\$12,500)	(\$14,800)	(\$16,600)

Effective for tax years beginning after December 31, 2005.

EXPLANATION OF THE BILL

Dependent Exemption Deduction from AMTI

Current Law: A deduction from alternative minimum taxable income (AMTI) for a dependent exemption is not allowed under current law for the alternative minimum tax (AMT).

Proposed Law: This proposal would allow a dependent exemption deduction from AMTI equal to the federal dependent exemption for each dependent starting in tax year 2006.

REVENUE ANALYSIS DETAIL

- Simulation results are obtained using the House Income Tax Simulation (HITS 5.4) model. The simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2006. The model uses a stratified sample of 2003 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: For tax year 2006, an estimated 34,800 returns would receive a reduction in the Minnesota alternative minimum tax of an average of \$360 per tax return, including 22,000 returns which would no longer be subject to the AMT.

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

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