

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Exclusion for Employer-Provided Adoption Assistance

February 20, 2014

Department of Revenue  
Analysis of H.F. 2002 (Norton)

	Yes	No
DOR Administrative Costs/Savings	X	

	<b>Fund Impact</b>			
	<b><u>F.Y. 2014</u></b>	<b><u>F.Y. 2015</u></b>	<b><u>F.Y. 2016</u></b>	<b><u>F.Y. 2017</u></b>
		(000's)		
General Fund	(\$400)	(\$400)	(\$400)	(\$400)

Effective beginning with tax year 2013.

### EXPLANATION OF THE BILL

**Current Law:** An exclusion for employer-provided adoption assistance was first enacted federally in 1996. Several law changes modified, increased, and extended the exclusion through tax year 2012. Minnesota adopted the federal changes through tax year 2012.

The American Taxpayer Relief Act of 2012, Public Law 112-240, enacted January 2, 2013, made the federal exclusion permanent, beginning with tax year 2013. Minnesota has not conformed to this federal change and therefore the exclusion does not apply for Minnesota tax purposes.

The exclusion for employer-provided adoption assistance is limited to a maximum amount and is phased out for adjusted gross income over a threshold, both of which are indexed each year for inflation. For tax year 2013 the maximum exclusion is \$12,970 and is phased out for taxpayers with adjusted gross income from \$194,580 to \$234,580. For tax year 2014 the maximum exclusion is \$13,190 and is phased out for income from \$197,880 to \$237,880.

**Proposed Law:** For purposes of the individual income tax, Minnesota would conform to the exclusion of employer-provided adoption assistance for tax years 2013 and thereafter.

### REVENUE ANALYSIS DETAIL

- The estimates are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation dated January 1, 2013.
- The federal estimates included both this exclusion and the federal adoption credit. Based on information on the credit for previous years, it was assumed that the exclusion represented 10% the federal estimates. The estimates were apportioned to Minnesota and adjusted for the difference between federal and state tax rates and federal and state fiscal years.
- The revenue impact for tax year 2013 is shown in FY 2014 assuming enactment early in the legislative session. If enactment occurs at the end of the session, some or all of the impact would shift to FY 2015.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)