

January 24, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 46 (Rest)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>	<b><u>F.Y. 2028</u></b>	<b><u>F.Y. 2029</u></b>
	(000's)			
General Fund	(\$1,500)	(\$1,500)	(\$1,600)	(\$1,700)

Effective beginning with tax year 2025.

## EXPLANATION OF THE BILL

**Current Law:** All residents and nonresidents with Minnesota source income must file an income tax return if their gross income is over the filing requirement. For tax year 2025, the filing requirement for residents is \$14,950 for singles under 65 and \$29,900 for married couples under 65. For nonresidents, the filing requirement is \$14,950 regardless of marital status or age.

**Proposed Law:** The bill allows an exclusion from gross income for wages of qualifying nonresidents for employment duties performed in Minnesota. A qualifying nonresident is an individual who (1) is paid wages for employment duties, excluding duties performed as an entertainer, in Minnesota for 30 or fewer day in a taxable year, (2) performed employment duties in more than one state in the tax year, and (3) whose state of residence provides a substantially similar exclusion or does not impose an individual income tax, or whose income is exempt from taxation in Minnesota.

Wages paid to a qualifying individual for these employment duties are exempt from the withholding and filing requirements. If an individual exceeds the 30-day threshold, the withholding and filing requirements apply for every day, including the first 30 days the employment duties are performed in Minnesota.

A qualifying individual is considered to be performing employment duties within Minnesota for a day if the individual performs more of their duties in Minnesota than in any other state during that day. Any portion of the day spent in transit is not considered in determining the location of the employment duties.

## REVENUE ANALYSIS DETAIL

- The estimate is based on information from nonresident individual income tax returns for tax year 2022.
- There are nine states with no individual income tax; Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming. (New Hampshire is assumed to qualify since it doesn't tax wages, although it does tax investment income.)

**REVENUE ANALYSIS DETAIL (Cont.)**

- Currently, Louisiana is the only state that provides a substantially similar exclusion for nonresidents. Beginning in tax year 2022, Louisiana exempts wages paid to nonresidents who performed employment duties in the state for 25 or fewer days, performed duties in more than one state, is not an entertainer, and does not have income from other state sources.
- In tax year 2022, there were about 9,500 nonresident filers with wages and Minnesota source income who were from a state with no individual income tax or from a state with a substantially similar exclusion.
- Nonresident filers whose wages from a W-2 are at least 90% of their total wages are assumed to be employees. Those with Minnesota apportioned wages equal to or less than 1/12<sup>th</sup> of their total wages were assumed to be working in Minnesota for less than 30 days and eligible for the exclusion.
- Professional athletes and entertainers were excluded from the estimate.
- Growth is based on projected growth in individual income tax collections in the November 2024 forecast from the Minnesota Department of Management and Budget.
- Tax year impacts are allocated to the following fiscal year.

**Number of Taxpayers:** About 1,000 returns would have an average reduction in tax of \$1,469.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
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