

HOUSE RESEARCH

Bill Summary

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Subject: Income tax exclusion for capital gains

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Overview

Allows a 50 percent net capital gains subtraction in calculating individual income tax. Allows the subtraction for both the regular income tax and the alternative minimum tax. Effective for sales and exchanges occurring after the day following final enactment.

Section

- 1 **Net capital gains subtraction.** Provides a subtraction from Minnesota taxable income of 50 percent of net capital gains. Net capital gains is defined by reference to the Internal Revenue Code, as net long-term gain after subtraction of both long-term and short-term capital losses. Collectibles gain, unrecaptured section 1250 gain (gain on certain types of real estate that represents recovery of previously taken depreciation deductions), and section 1202 gains (gain on small business stock that already qualifies for a 50 percent exclusion) do not qualify for the subtraction.
- 2 **Net capital gains subtraction; alternative minimum tax.** Provides a subtraction from Minnesota alternative minimum taxable income of 50 percent of net capital gains. Thus, the capital gains subtraction is allowed for both the regular tax and the alternative minimum tax.

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