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This bill allows an employee fitness facility income tax credit equal to \$2.50 for each month in which the employee uses a fitness facility on at least eight days (the maximum credit is \$30 for the year). For a married couple, each spouse can qualify for the credit. The credit is not refundable (i.e., it is limited to the employee's income tax liability) and applies to employer payments that either directly pay fitness facility expenses for the employee or reimburse the employee for expenses he or she pays.

**Qualifying facilities.** For dues and other expenses to qualify for the credit, a fitness facility must:

- provide exercise instruction programs, offer physical fitness facilities, or be the site of those types of programs of a state or local government (these functions cannot be incidental to some other purpose for the facility);
- not be a private club;
- not offer hunting, sailing, horseback riding, or outdoor golf;
- comply with the Minnesota Human Rights Act; and
- not be located on the employer's premises.

**Nondiscrimination requirement.** The employer's reimbursement program must be available to all employees or to a group of employees defined under a reasonable classification, which may not be restricted to highly compensated employees as defined under section 414(q) of the Internal Revenue Code. This is defined as a five percent owner or the one-fifth of the taxpayer's employees who are most highly compensated. For tax year 2017, employees making less than \$120,000 do not count as highly compensated employees under this definition. This amount is annually indexed for inflation.

The credit is apportioned for part-year residents and non-residents based on the Minnesota share of their total income.

**Effective date:** Tax year 2017