Overview

Decreases the individual income tax rates from 5.5, 7.25, and 8.0 percent to 5.0, 6.5, and 7.5 percent with a corresponding reduction in the alternative minimum tax rate from 6.5 percent to 5.9 percent.

Allows an individual income tax subtraction of health insurance premiums.

Accelerates the implementation of an apportionment formula more heavily weighted toward sales from 75-12.5-12.5 (sales-property-payroll) tax year 2001 to 8.5-7.5-7.5 in tax year 2000.

Section

1 Health insurance premium subtraction. Allows individuals to subtract health insurance premiums from Minnesota taxable income. Limits the subtraction to premiums that are paid out-of-pocket on an after-tax basis; amounts paid through employer-sponsored plans or pretax accounts would not qualify. Provides that long-term care insurance premiums may either be subtracted from taxable income or used to claim the long-term care insurance credit, but not both. Effective beginning in tax year 2001.

2 Income tax rates. Makes changes in the individual income tax rates:
   - the 5.5% rate is reduced to 5.0%;
   - the 7.25% rate is reduced to 6.5%; and
   - the 8.0% rate is reduced to 7.5%.

3 Indexing. Makes conforming changes in the indexing provisions to reflect that section 2 updates the tax brackets as they appear in statute to the amounts for tax year 2000.

Marriage penalty credit. Adjusts the marriage penalty credit lookup table and minimum taxable and earned income requirements to reflect the changes to the tax rates in section 2 for tax year 2000; the maximum credit is $276. For future tax years directs the commissioner to
update the table to reflect the relationship between the marginal tax rates in effect.

6 AMT rate. Reduces the alternative minimum tax (AMT) rate from 6.5% to 5.9%.

7 Tentative minimum tax. Makes a conforming change in the definition of tentative minimum tax to reflect the change in the AMT rate.

8 AMT credit. Makes a conforming change in the AMT credit to reflect the change in the AMT rate.

9 Apportionment formula - multi-state businesses. Accelerates by one year and expands previously enacted changes in the weighting of the apportionment formula for multi-state businesses. Most corporations are required to use a three factor formula, based on property, payroll, and sales. (The law allows certain Minnesota based mail order sales corporations to use single factor sales apportionment.) The sales factor is weighted 70 percent, while property and payroll are each weighted 15 percent. The 1999 omnibus tax law weighted the sales factor at 75 percent and property and payroll at 12.5 percent each, effective beginning in tax year 2001. This section makes the change to a 85-7.5-7.5 formula effective in tax year 2000.

10 Apportionment formula - financial institutions. Adopts the 75-12.5-12.5 apportionment formula for financial institutions, effective in tax year 2000. Under the 1999 omnibus tax law this change was scheduled to take effect in tax year 2001.

11 Effective date. Makes the income tax rate reductions and apportionment formula changes effective in tax year 2000 and the health insurance premiums subtraction in tax year 2001. Also clarifies that the changes to the apportionment formula supersede the 1999 omnibus tax law.