Overview

Allows a subtraction of $2,200 from Minnesota taxable income for each personal and dependent exemption claimed at the federal level, subject to an income-based phase-out. Allows filers to claim a $121 refundable credit for each dependent exemption in place of the $2,200 subtraction; the credit amount equals the tax benefit of the subtraction for filers in the 5.5% bracket.

1 **Subtraction for personal and dependent exemptions.** Allows a $2,200 subtraction from Minnesota taxable income for each personal and dependent exemption a taxpayer claimed at the federal level. The tax benefit of each subtraction claimed would be $121 for filers in the 5.5% bracket, $159 for filers in the 7.25% bracket, and $176 for filers in the 8.0% bracket. The state-level subtractions are phased out on the same schedule as the federal exemptions, at a rate of 2% for each $2,500 over an income threshold. For tax year 2000, the phase-out begins at $193,400 for married couples filing joint returns, $161,150 for head of household filers, and $128,950 for single filers. Directs the commissioner to adjust the subtraction amount annually for inflation.

2 **Refundable child tax credit.** Provides a refundable tax credit of $121 for each dependent exemption claimed at the federal level. Filers must choose between this tax credit and the subtraction for dependents allowed in section 1. Filers subject to the subtraction phase-out in section 1 are not eligible for the refundable credit. Directs the commissioner to adjust the credit amount annually for inflation.

3 **Effective date.** Effective beginning in tax year 2000.