Overview

This bill allows nonresidents an individual income tax credit for taxes paid to another state. This credit applies when the Minnesota income tax imposes a tax on gain on the sale of a partnership interest realized by a nonresident that is assignable to Minnesota. The credit equals the amount of the tax paid to the other state on the portion of the gain assigned to Minnesota. The credit is available only if the state of residence does not allow a credit.

1 Nonresident's credit for taxes paid to domicile state. Allows a credit for taxes paid to another state. This credit applies in limited circumstances. Each of the following requirements must be met:

   The taxpayer is a non-resident. (The general credit for taxes paid to another state provides an equivalent credit to Minnesota residents.)
   The tax results from gain realized on the sale of a partnership interest that is assignable to Minnesota.
   The taxpayer's state of residence does not allow a credit for this Minnesota tax paid. The Minnesota tax that assigns gain on the sale of a partnership interest based on an apportionment is used by only a few states. Some states limit their credits for taxes paid to other states to taxes that would apply under their own state taxes. For taxpayers in these states, Minnesota's tax on gain from sales or exchanges of partnership interests can result in taxation of the gain by both states.

The credit equals the tax paid to the state of domicile (this will be the state of residence for most taxpayers) apportioned so that only the amount attributable to the Minnesota share qualifies for the credit. This is done by multiplying the gain by a fraction equal to the Minnesota gain over federal adjusted gross income. In no case may the credit exceed the amount of the other state's tax if the Minnesota gain were subtracted.

The bill also allows the credit to be claimed even if the state of domicile assessed the tax after
the running of the Minnesota statute of limitation.

Effective date. Tax year 2000.