

## S.F. No. 2893 – Federal conformity to the SECURE 2.0 Act

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Minnesota currently conforms to the Internal Revenue Code as amended through December 15, 2022. The SECURE 2.0 Act was enacted on December 29, 2022, and modifies provisions first enacted in the Setting Every Community Up for Retirement Enhancement (SECURE) Act in 2019. Conforming to the SECURE 2.0 changes would modify the definition of income for Minnesota tax purposes. By conforming to the Internal Revenue Code as amended through March 1, 2023, Minnesota adopts by reference the following provisions:

- **Deferral for sales to stock to an employee stock ownership plan.** Allows S-corp shareholders to defer recognition of gains on the sale of stock to an employee stock ownership plan. Effective beginning in tax year 2028.
- **Retirement account withdrawals for emergency expenses.** Allow individuals to withdraw up to \$1,000 from a retirement account for emergency expenses. The withdrawal is exempt from the federal 10% penalty on early withdrawals but is included in taxable income. The withdrawal may be repaid within three years. Taxpayers may adjust the prior year's return to exclude the withdrawal from income if the amount of the withdrawal is repaid during the three year period. Effective beginning in tax year 2024.
- **Simplified employee pension plans.** Allows employers to make additional pre-tax contributions to a Simplified Employee Pension (SEP) plan, up to ten percent of compensation, or \$5,000, whichever is less. Effective beginning in tax year 2024.
- **Distributions from 529 plans to Roth IRAs.** Allows a beneficiary of a Section 529 college savings plan to roll over up to \$35,000 into a Roth IRA. Effective beginning in tax year 2024.
- **Charitable distributions from IRA.** Allows a one-time charitable distribution from an IRA of up to \$50,000 to a charitable gift annuity, charitable remainder trust, or charitable remainder annuity trust. Adjusts the annual \$100,000 limit on charitable distributions from an IRA for inflation. Effective beginning December 29, 2022.
- **Exclusion of certain first responder retirement benefits.** Excludes from gross income qualified service-connected disability pension payments for service as a law enforcement

officer, firefighter, paramedic, or emergency medical technician. Effective beginning in tax year 2027.

- **Distributions from an IRA for federal disasters.** Allows withdrawals up to \$22,000 from an IRA for expenses related to a federally declared disaster without incurring a penalty. The distribution is included pro-rata in income over three years and may be repaid within three years. Also allows repayment to retirement accounts for individuals who withdrew from the accounts to purchase a home but were unable to complete the purchase due to a federally declared disaster. Effective retroactively for disasters occurring on or after January 26, 2021.
- **Limitation on deduction for charitable conservation easements.** Limits the deduction under current law for each partner in a partnership for contributions of property to a charitable conservation easement to 2.5 times the partner's basis. The limitation does not apply if the contribution meets a three-year holding period requirement, substantially all of the partnership is owned by family members, or the contribution relates to the preservation of a certified historic structure. Effective December 29, 2022.

**Sections 1 to 5** of the bill update the reference date for the Internal Revenue Code tax for purposes of the tax administration chapter (section 1); definition of “net income” and “Internal Revenue Code” in the income and corporate franchise tax chapter (sections 2 and 3); the property tax refund chapter (section 4); and the estate tax chapter (section 5).