

March 15, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2730 (Anderson, P.E.) / S.F. 2345 (Draskowski)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
		(000's)		
General Fund	(\$10)	\$0	\$0	\$0

Effective retroactively for tax year 2021.

EXPLANATION OF THE BILL

The bill would retroactively allow a subtraction for unemployment compensation received by individuals during tax year 2021 as a result of the decision issued by the Minnesota Court of Appeals, 956 N.W. 2d 1, filed February 22, 2021.

Prior to the court’s reversal on December 1, 2020, it was believed that high school students under the age of 18 were not eligible for Pandemic Unemployment Assistance authorized under the federal CARES Act. DEED agreed to retroactively apply the court’s decision to individuals that were previously denied unemployment benefits. Since the benefits were received in 2021, they are not eligible for the temporary income tax subtraction for unemployment benefits, which was only in effect for tax year 2020. The bill would allow a subtraction for the previously denied benefits.

REVENUE ANALYSIS DETAIL

- The estimate is based on individual income tax returns for tax year 2021.
- In tax year 2021, about 6,400 tax returns were filed by taxpayers aged between 14 and 17 with wages and positive tax liability. The average wage was \$14,048 with an average tax liability of \$272.
- Of these returns, about 90 had unemployment compensation. They are assumed to be eligible for the subtraction.
- Average eligible benefits are estimated at \$5,000.
- A marginal rate of 2% was assumed.
- The retroactive impact is allocated to fiscal year 2024.

Number of Taxpayers: About 90 returns would have an average benefit of \$100.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>