

## **S.F. No. 2345 – Subtraction for certain unemployment benefits**

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This bill provides a subtraction of Pandemic Unemployment Assistance (PUA) benefits received by high school students who were initially deemed ineligible for those benefits and were therefore ineligible for the federal exclusion of unemployment compensation received in 2020.

High school students applied for PUA benefits allowed under the CARES Act, which were denied by DEED because high school students are not generally eligible for unemployment compensation. The students appealed, and an administrative law judge (ALJ) upheld the denial. The students appealed to the Minnesota Court of Appeals, which issued an order on December 1, 2020, reversing the ALJ's decision and finding that the students were not ineligible for PUA benefits. The Court issued its formal opinion in February, 2021, after which students were issued PUA benefits.

The American Rescue Plan Act (ARPA), enacted in April 2021, provided an exclusion of up to \$10,200 in unemployment compensation received in 2020. For married joint filers, the exclusion could be claimed by each spouse. Minnesota conformed to this exclusion in the 2021 omnibus tax bill. Because the students did not receive their PUA payments until 2021, they were ineligible for the 2020 federal and Minnesota exclusion. This bill allows an exclusion for tax year 2021 for payments for which students would otherwise been eligible in 2020.