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S.F. No. 4653 – Charitable contributions excluded from itemized deduction limitation

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Under current law, state-specific itemized deductions are allowed for purposes of calculating Minnesota taxable income. The amount of itemized deductions allowed begins to be phased out for taxpayers with adjusted gross income exceeding \$232,500 (\$116,250 for married taxpayers filing a separate return). The deduction is reduced by the lesser of:

- 3% of the amount of adjusted gross income for taxpayers with adjusted gross income greater than \$232,500 but not over \$321,350 (\$160,675 for married taxpayers filing a separate return), plus
- 10% of the amount of adjusted gross income over \$321,350 (\$160,675 for married taxpayers filing a separate return); or
- 80% of the amount of the taxpayer's itemized deduction.

For taxpayers with adjusted gross income over \$1,053,750, the deduction equals 80% of the taxpayer's itemized deduction amount.

For taxpayers subject to the itemized deduction phaseout, the deduction limitation excludes investment interest, medical expenses in excess of ten percent of federal adjusted gross income, and unreimbursed casualty and theft losses.

This bill adds the amount of the deduction for charitable contributions to the exclusions from the calculation of the itemized deduction for taxpayers subject to the phaseout of itemized deductions. Charitable contributions would not be subject to the limits described above.

Effective for taxable years beginning after December 31, 2023.