SENATE COUNSEL, RESEARCH, & FISCAL ANALYSIS

BILL SUMMARY

S.F. No. 860 – Subtraction; exclusion from income of discharges of indebtedness

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Discharged debt is generally included in federal adjusted gross income unless specifically excluded. This bill provides an income tax subtraction for debt that is discharged because it is determined to be coerced debt, as defined in Minnesota Statutes, and excludes discharges of coerced debt for purposes of calculating income for the renter's credit and property tax refund.

Section 1. Discharges of indebtedness; coerced debt. Provides a subtraction for the amount of discharge of indebtedness resulting from coerced debt for purposes of calculating Minnesota taxable income. Effective beginning in tax year 2025.

Section 2. Definitions [renter's credit]. Creates a new definition of "combined exemption amount" for dependents for purposes of calculating the renter's credit. This new definition is necessary because, under current law, the definition of "income" for the renter's credit includes exemption amounts. The definition of "income" is reorganized to exclude the amount of discharged coerced debt. Effective beginning in tax year 2025.

Section 3. Income [property tax refund]. Provides that the amount of discharge of indebtedness resulting from coerced debt shall not be considered income for purposes of determining eligibility for the property tax refund program. Effective for property taxes payable in 2026 and thereafter.