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Minnesota Tax Bill Contains Several Benefits Provisions

Legal Update

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By Employment & Labor Group

On Monday, March 21, 2011, Governor Dayton signed into law H.F. 79, which conforms Minnesota's individual income and corporate franchise taxes to most federal tax law changes enacted between March 18, 2010, and December 31, 2010, **but only for the 2010 tax year**. Among other changes, the tax bill contains the following benefits-related provisions:

- Federal tax laws were amended effective March 30, 2010, to exclude from gross income health insurance coverage (including reimbursements under flexible spending accounts) provided to children under age 27. Such coverage is now excluded from income under Minnesota tax law for the 2010 tax year. If the employer has already issued a 2010 W-2 reporting the value of health insurance coverage provided to adult children for Minnesota state tax purposes, no corrected W-2 is required. However, until further legislation is enacted, the value of the health insurance coverage must be reported for 2011 and future tax years.
- The maximum exclusion for employer-provided adoption assistance is increased to \$13,170.
- For qualified distributions from 401(k), 403(b), and 457(b) plans into a Roth IRA, the tax bill allows the taxpayer to recognize 50% of the related income in the 2011 tax year and 50% in the 2012 tax year, rather than 100% in the 2010 tax year.
- The tax bill permits individuals age 70-1/2 or older to transfer up to \$100,000 from a traditional IRA or Roth IRA directly to a qualified charity without including that amount in adjusted gross income. In addition, distributions made after December 31, 2010, and before February 1, 2011, may be recognized in the 2010 tax year.

While no action is required by employers, they may wish to share this information with employees for preparing their individual income tax returns. If you have any questions, please contact your payroll or benefits advisor.

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