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both of which can be excluded from federal taxes.

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By Briana Bierschbach, Star Tribune (TNS)

The federal government says it won't budge on its decision to impose taxes on nearly \$1 billion in rebate checks sent to Minnesotans last fall.

The IRS said in December that the agency considers the checks federally taxable income, a surprise to state officials that sparked a flurry of lobbying to try to reverse that decision before income tax filing season starts.

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The rebate checks were part of a \$3 billion package of tax cuts and increases passed by the DFL-led government last session. Individual Minnesotans were eligible for a \$260 rebate check if they had a gross adjusted income of up to \$75,000 in 2021, and \$520 for married filers who earned up to \$150,000. Families could get an additional rebate check for up to three dependents, for a maximum of \$1,300.

The IRS said in the letter that the income thresholds were above the limit of “what we generally consider to be covered by the general welfare exclusion.” Democrats hoped the federal government would treat the rebates like other relief funds passed during the pandemic, but Werfel said the “legislative record does not provide the kind of clarity we need to conclude that the legislative purpose of the one-time payments was to provide relief from the COVID-19 pandemic.”

Stauber, who contacted the IRS in December to try to reverse the decision, blamed “careless legislative mistakes” made by Gov. Tim Walz’s administration and the DFL Legislature for the surprise taxes.

“The fact remains that the state surplus was a result of out-of-control COVID-relief spending by Democrats in Washington,” he said in a statement. “This taxpayer money was sent to state capitals around the country, and now it is being taxed. This is insulting to the hardworking people of Minnesota.”

Craig said she was disappointed in the decision. “Minnesotans already pay more in federal taxes than we get back,” she said in a statement. “I’ll keep looking for ways to cut costs for working families at the federal level.”

Walz also lobbied the federal government to reverse the decision, saying Minnesota was being treated unfairly in its determination that the checks weren’t the same as pandemic-era relief passed in other states.

“Minnesota is being treated unfairly on this. They picked an arbitrary date to end the

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