

# Minnesota Fiscal Analysis Department

2017 Legislature - As passed by the House Floor, Tax Revenue, Chapter 1 (HF 2 - First Engrossment)

Updated: 1/13/17

## General Fund Summary - November 2016 Forecast

Note: (1) All dollars in thousands; (2) positive tax revenue represents a revenue increase and negative tax revenue (numbers in parenthesis) represents a revenue reduction.

Description	Federal Conformity, HF 2 - First Engrossment									
	Effect. Date	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21

All Federal Acts: (1) The Protecting Americans from Tax Hikes of 2015, Public Law 114-113, (2) Bi-Partisan Budget Act of 2015, Public Law 114-74; (3) Slain Officer Support Act of 2015, 114-7 (4) The Don't Tax Our Fallen Public Safety Heroes, public law 114-14; (5) The U.S. Appreciation for Olympians and Paralympians Act, Public Law 114-239; and (6) Combat - Injured Veterans Tax Fairness Act, Public Law 114-292.

### Summary of Fiscal Impact of All Federal Conformity Act Changes:

Individual Income Tax	various	0	(27,815)	(27,815)	10,955	(3,080)	7,875	(14,965)	(32,560)	(47,525)
Corporate Tax	various	0	6,085	6,085	11,390	2,245	13,635	(13,480)	(29,535)	(43,015)
Total - Conformity Update, All Federal Acts		0	(21,730)	(21,730)	22,345	(835)	21,510	(28,445)	(62,095)	(90,540)
<b>Total - Conformity Update, All General Fund Tax Revenue Changes</b>		<b>0</b>	<b>(21,730)</b>	<b>(21,730)</b>	<b>22,345</b>	<b>(835)</b>	<b>21,510</b>	<b>(28,445)</b>	<b>(62,095)</b>	<b>(90,540)</b>

### Fiscal Impact Details by Federal Act:

#### (1) Protecting Americans from Tax Hikes Act of 2015 (P.L. 114-113)

<b>Education-Related Provisions:</b>										
Deduction for Educator Classroom Expenses to \$250	1/1/2015	-	(3,000)	(3,000)	(1,500)	(1,600)	(3,100)	(1,600)	(1,600)	(3,200)
Deduction of Qualified Tuition and Related Expenses	TY 2015, TY 2016	-	(4,300)	(4,300)	-	-	-	-	-	-
Section 529 Plans: Computer Technology Allowed as Qualified Education Expenses & Other Changes	1/1/2015	-	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Exclusion for Amounts Received Under the Work Colleges Program	12/18/2015	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)			
Subtotal		-	(7,300)	(7,300)	(1,500)	(1,600)	(3,100)	(1,600)	(1,600)	(3,200)
<b>Homeownership Provisions</b>										
Exclusion of Discharge of Indebtedness Income on Principal Residence	TY 2015, TY 2016		(17,400)	(17,400)	-	-	-	-	-	-
Premiums for mortgage insurance deductible as qualified residence interest	TY 2015, TY 2016		(11,600)	(11,600)	-	-	-	-	-	-
Subtotal		-	(29,000)	(29,000)	-	-	-	-	-	-
<b>Charitable Contribution Provisions</b>										
Special rule for contributions of qualified conservation property	1/1/2015		(800)	(800)	(455)	(470)	(925)	(475)	(525)	(1,000)
Tax-Free IRA Distributions, up to \$100,000, to Certain Public Charities for Individuals Age 70.5 and Older	1/1/2015		(5,700)	(5,700)	(3,750)	(4,000)	(7,750)	(4,300)	(4,600)	(8,900)
Enhanced Charitable Contribution Deduction for Food Inventory by Other than C Corporations	1/1/2015		(1,400)	(1,400)	(800)	(850)	(1,650)	(875)	(900)	(1,775)
Basis Adjustment to S Corporation Stock for Charitable Contributions of Property	1/1/2015		(525)	(525)	(335)	(340)	(675)	(345)	(350)	(695)
Charitable Contributions to Agricultural Research Organizations	12/18/2015		(25)	(25)	(15)	(15)	(30)	(15)	(15)	(30)
Clarify Valuation Rule for Early Termination of Certain Charitable Remainder Unitrusts	12/19/2015		200	200	125	75	200	50	25	75
Subtotal		-	(8,250)	(8,250)	(5,230)	(5,600)	(10,830)	(5,960)	(6,365)	(12,325)

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Note: (1) All dollars in thousands; (2) positive tax revenue represents a revenue increase and negative tax revenue (numbers in parenthesis) represents a revenue reduction.

Description	Federal Conformity, HF 2 - First Engrossment									
	Effect. Date	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
<b>Health Care Provisions</b>										
Deductibility of Excise Tax on High-Cost Employer-Sponsored Health Coverage	12/18/2015	-	-	-	-	-	-	(500)	(2,100)	(2,600)
Health Care Benefits Excluded from Income for Certain Government Health Plans	12/18/2015	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Subtotal		(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(500)	(2,100)	(2,600)
<b>Other Individual Provisions</b>										
Working Family Credit: Increase Phase-Out Range for Married Joint Filers by \$5,000 Indexed	1/1/2018	-	-	-	-	(7,100)	(7,100)	(7,200)	(7,400)	(14,600)
Elimination of Residency Requirement for ABLE Programs	1/1/2015		(30)	(30)	(50)	(75)	(125)	(75)	(75)	(150)
Exclusion for Compensation to Wrongfully Incarcerated Individuals	Retro. , Permanent		(140)	(140)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Rollovers Permitted from Other Retirement Plans into SIMPLE IRAs	12/18/2015	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Subtotal		-	(170)	(170)	(50)	(7,175)	(7,225)	(7,275)	(7,475)	(14,750)
<b>Business &amp; Investment Provisions</b>										
50% Bonus Depreciation in 2015-2017; 40% Bonus Depreciation in 2018; and 30% Bonus Depreciation in 2019 with 80% Add-Back and 5-Year Recovery	TY 2015, TY 2016, TY 2017, TY 2018, TY 2019									
Individual Income Tax			7,700	7,700	7,200	3,500	10,700	(3,000)	(9,600)	(12,600)
Corporate Tax			16,300	16,300	15,200	7,300	22,500	(6,300)	(20,300)	(26,600)
<b>Increased Section 179 Expensing , 80% Add-back and 5-Year</b>										
Individual Income Tax	1/1/2015		10,600	10,600	9,100	6,500	15,600	2,500	(900)	1,600
Corporate Tax			4,000	4,000	3,400	2,500	5,900	1,000	(300)	700
<b>Classification of Certain Racehorses as 3-Year Property</b>										
Individual Income Tax	TY 2015 TY 2016		(135)	(135)	(15)	35	20	40	45	85
Corporate Tax										
<b>15-Year straight-line depreciation for leasehold, restaurant, and retail improvements and new restaurants</b>										
Individual Income Tax	1/1/2015		(800)	(800)	(875)	(1,225)	(2,100)	(1,625)	(2,075)	(3,700)
Corporate Tax			(1,550)	(1,550)	(1,650)	(2,350)	(4,000)	(3,125)	(3,950)	(7,075)
<b>7-Year Recovery Period for Certain Motorsports Racing Track Facilities</b>										
Corporate Tax	TY 2015 TY 2016		(65)	(65)	(25)	(20)	(45)	(15)	(10)	(25)
<b>Accelerated Depreciation for Business Property on Indian Reservations</b>										
Individual Income Tax	TY 2015 TY 2016		(450)	(450)	(90)	40	(50)	80	100	180
Corporate Tax			(500)	(500)	(65)	30	(35)	90	110	200

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	Effect. Date	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
Election to expense mine safety equipment										
Corporate Tax	TY 2015 TY 2016		(35)	(35)	Negli.	Negli.	Negligible			
Special expensing rules for certain film and television productions	TY 2015 TY 2016									
Individual Income Tax			(600)	(600)	150	75	225	60	50	110
Corporate Tax			(525)	(525)	125	75	200	50	40	90
Treatment of certain payments to controlling exempt organizations for the unrelated business income tax										
Corporate Tax	1/1/2015		(300)	(300)	(110)	(100)	(210)	(90)	(80)	(170)
Treatment of certain dividends of regulated investments companies										
Individual Income Tax	1/1/2015		(1,150)	(1,150)	(625)	(650)	(1,275)	(650)	(675)	(1,325)
Exception under subpart F for active financing income										
Corporate Tax	1/1/2015	0	(8,200)	(8,200)	(4,300)	(4,400)	(8,700)	(4,500)	(4,600)	(9,100)
Reduction in recognition period for S corporation Built-In Gains Tax										
Corporate Tax	1/1/2015		(2,500)	(2,500)	(1,200)	(800)	(2,000)	(600)	(450)	(1,050)
Special Depreciation Allowance for 2nd Generation Biofuel Plant Property	TY 2015 TY 2016		(Negl.)	(Negl.)	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
100% Exclusion of Gain on Certain Small Business Stock	1/1/2015	-	-	-	-	-	-	-	(5,000)	(5,000)
Energy-Efficient Commercial Building Deduction	TY 2015 TY 2016									
Individual Income Tax			(765)	(765)	20	15	35	15	10	25
Corporate Tax			(540)	(540)	15	10	25	10	5	15
Provisions Related to Real Estate Investment Trusts	1/1/2015		750	750	500	750	1,250	950	1,200	2,150
Exclusion of Certain Clean Coal Power Grants	1/1/2012		(225)	(225)	(5)	50	45	50	45	95
Prevention of Transfer of Loss from Tax Indifferent Parties	1/1/2016		500	500	575	625	1,200	650	700	1,350
Summary - Business & Investment Provisions - Indiv. Income Tax		-	15,425	15,425	15,935	9,715	25,650	(930)	(16,100)	(17,030)
Summary: Business & Investment Provisions - Corporate Tax		-	6,085	6,085	11,390	2,245	13,635	(13,480)	(29,535)	(43,015)
Subtotal		-	21,510	21,510	27,325	11,960	39,285	(14,410)	(45,635)	(60,045)
<b>TOTAL - Protecting Americans from Tax Hikes, All Categories</b>										
<b>Individual Income Tax</b>		0	(29,295)	(29,295)	9,155	(4,660)	4,495	(16,265)	(33,640)	(49,905)
<b>Corporate Tax</b>		0	6,085	6,085	11,390	2,245	13,635	(13,480)	(29,535)	(43,015)
<b>Grand Total - Protecting Americans from Tax Hikes, General Fund Tax Revenue Changes</b>		0	(23,210)	(23,210)	20,545	(2,415)	18,130	(29,745)	(63,175)	(92,920)

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<b>(2) Bipartisan Budget Act of 2015, Public Law 114-74:</b>										
Individual Income Tax, Treatment of Partnership Interests Created by Gift.	1/1/2016	-	1,500	1,500	1,800	1,600	3,400	1,300	1,100	2,400
<b>(3) Slain Officer Family Support Act of 2015, Public Law 114-7:</b>										
Individual Income Tax, Allows Donations to Families of Two Slain Officers to be Treated as Charitable Deductions and Allows Taxpayers to Deduct the Amount in TY 2014 rather than 2015 if Contribution is made by a Certain Date.	Retro. to TY 2014	(Negl.)	(Negl.)	(Negl.)	-	-	-	-	-	-
<b>(4) Don't Tax Our Fallen Public Safety Heroes Act of 2015, Public Law 114-14:</b>										
Individual Income Tax, Clarifying law about the exclusion of any payments received under the Federal Public Safety Officers' Benefit Act of 1976 are excluded from gross income and benefits also excluded if received from a state program.	5/1/2015	-	-	-	-	-	-	-	-	-
<b>(5) U.S. Appreciation for Olympians and Paralympians Act, Public Law 114-239:</b>										
Individual Income Tax, Excludes from gross qualifying income the value of any Olympic or Paralympic medal or prize money		-	(20)	(20)	(20)	(20)	(20)	(Negl.)	(20)	(20)
<b>(6) Combat-Injured Veterans Fairness Act, Public Law 114-292:</b>										
Allows veterans to file an amended return who may have improperly included severance payments in taxable income	12/16/16	-	-	-	-	-	-	-	-	-

## Revenue Impact Notes:

## Legend Notes:

TY = Tax Year

Negl = Negligible denotes plus or minus \$5,000.