

**Federal Update
Further Consolidated Appropriations Act, 2020**

	FY 2020	FY 2021	FY 2022	FY 2023
		(\$000s)		
Individual Income Tax	\$0	(\$17,290)	\$720	\$540
Corporate Franchise Tax	<u>\$0</u>	<u>(\$6,075)</u>	<u>\$770</u>	<u>\$805</u>
General Fund Total	\$0	(\$23,365)	\$1,490	\$1,345

The Further Consolidated Appropriations Act, 2020 (Public Law 116-94) was enacted on December 20, 2019. This estimate shows the fiscal impact of updating reference to the Internal Revenue Code to include the Act.

The Act extends certain expired tax provisions retroactively for tax years 2018 through tax year 2020. The Act also includes new provisions, as described below.

The Act allows qualified distributions from a Section 529 college savings plans to cover apprenticeship costs and student loan payments. Qualified loans include debt incurred by the beneficiary or a sibling of the beneficiary.

The Act also establishes special rules for taxpayers taking an early distribution from a retirement plan due to damages sustained in federally declared disaster areas. An eligible taxpayer may take an early distribution of up to \$100,000 and may either repay the amount or include the distribution in gross income over a three-year period, instead of in the year it was withdrawn. Qualified disaster areas include federal disasters that were declared from January 1, 2018 to February 18, 2020, excluding disasters that were already covered under the Bipartisan Budget Act of 2018.

All provisions subject to federal update are listed in the following table. This estimate only includes provisions that affect the definition of adjusted gross income (AGI), since that is the starting point for calculating Minnesota tax liability. It does not include changes to federal taxable income that do not affect AGI, such as the special rules for charitable deductions and casualty losses or the deduction for mortgage insurance premiums.

- For all provisions, the estimates are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation, dated December 17, 2019.
- Where applicable, the estimates were divided between the individual income tax and corporate franchise tax. The estimates for each provision were apportioned to Minnesota based on information relevant to that provision. The estimates were adjusted for the difference between federal and state tax rates and federal and state fiscal years.
- For provisions with a retroactive effective date, tax year 2018 and 2019 returns would have to be amended or adjusted. Those impacts were allocated to fiscal year 2021.

Minnesota Department of Revenue
Tax Research Division
January 16, 2020

Federal Update: Further Consolidated Appropriations Act, 2020
(\$000s)

	FY 2020	FY 2021	FY 2022	FY 2023
Individual Provisions				
Exclusion of discharge of indebtedness on qualified principal residence (TY18-20)	\$0	(\$7,100)	\$0	\$0
Expansion of Section 529 plans (beginning TY19)	\$0	(\$310)	(\$160)	(\$160)
Extension of above-line deduction for qualified tuition and related expenses (TY18-20)	\$0	(\$5,400)	\$0	\$0
Subtotal: Individual Provisions	\$0	(\$12,810)	(\$160)	(\$160)
Business and Investment Provisions				
Seven-year recovery period for motorsports entertainment complexes (TY18-20)				
Corporate Franchise Tax	\$0	(\$260)	(\$90)	(\$65)
Accelerated depreciation for business property on Indian reservations (TY18-20)				
Individual Income Tax	\$0	(\$240)	(\$50)	(\$20)
Corporate Franchise Tax	\$0	(\$190)	(\$40)	(\$10)
Special expensing rules for certain film, television, and live theatrical productions (TY18-20)				
Individual Income Tax	\$0	(\$3,200)	\$800	\$600
Corporate Franchise Tax	\$0	(\$2,500)	\$500	\$500
Special depreciation allowances for 2nd generation biofuel plant property (TY18-20)				
Corporate Franchise Tax	\$0	(Negl.)	(Negl.)	(Negl.)
Energy-efficient commercial building deduction (TY 18-20)				
Individual Income Tax	\$0	(\$770)	\$20	\$10
Corporate Franchise Tax	\$0	(\$1,300)	\$90	\$70
Special rule for the production period for beer, wine, and distilled spirits (TY20 only)				
Individual Income Tax	\$0	(\$90)	\$20	\$20
Corporate Franchise Tax	\$0	(\$140)	\$30	\$30
Special rule for sales or dispositions of transmission lines for qualified electric utilities (TY18-20)				
Corporate Franchise Tax	\$0	(\$1,685)	\$280	\$280
Business and Investment Provisions				
Individual Income Tax	\$0	(\$4,300)	\$790	\$610
Corporate Franchise Tax	\$0	(\$6,075)	\$770	\$805
Subtotal	\$0	(\$10,375)	\$1,560	\$1,415

	FY 2020	FY 2021	FY 2022	FY 2023
Disaster Relief Provisions				
Special disaster-related rules for use of retirement funds (1/1/18-2/18/20)				
Individual Income Tax	\$0	(\$180)	\$90	\$90
Disaster Relief Provisions				
Subtotal	\$0	(\$180)	\$90	\$90
All Provisions				
Individual Income Tax	\$0	(\$17,290)	\$720	\$540
Corporate Franchise Tax	\$0	(\$6,075)	\$770	\$805
General Fund Total	\$0	(\$23,365)	\$1,490	\$1,345