

# 2018 GOVERNOR'S RECOMMENDATIONS **\*\*DRAFT\*\***

March 16, 2018

\$ in thousands | BOLD indicates rows included in total

TAX POLICY: Positive amounts indicate revenue increase

AIDS, CREDITS, REFUND: Positive amounts indicate expenditure

LINE	ITEM	FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
<b>TAX POLICY:</b>							
<b>TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO INDIVIDUALS</b>							
9	Create Minnesota Code from FAGI/Do not conform to TJCA/Revenue from reversing forecast adjustments	0	-26,500	-26,500	-27,100	-27,900	-55,000
10	Extend Mortgage Insurance Premiums Deduction	0	-7,000	-7,000	-7,800	-9,000	-16,800
11	Extend Tuition Expenses Deduction	0	-2,600	-2,600	-2,600	-2,700	-5,300
12	New MN non-refundable Personal and Dependent Credit, phase out starts at \$90K and \$180K	0	-233,200	-233,200	-236,500	-239,100	-475,600
13	Conform to the TY2017 Disaster Federal Update	-5,540	1,990	-3,550	710	310	1,020
14	Conform to the Federal Tax Extenders passed on 2/9/2018	-20,790	185	-20,605	310	125	435
15	<b>SUBTOTAL: TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO INDIVIDUALS</b>	<b>-26,330</b>	<b>-267,125</b>	<b>-293,455</b>	<b>-272,980</b>	<b>-278,265</b>	<b>-551,245</b>
<b>TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO PASS-THROUGHS</b>							
18	Disallow Certain Active Pass Through Losses (above \$250k for single and \$500k for joint filers)	0	58,000	58,000	52,200	46,300	98,500
19	Conform Bonus Depreciation maintain 80% MN addback	-600	1,000	400	8,700	10,700	19,400
20	Full conformity with Section 179 Expensing	-19,800	-61,800	-81,600	-48,600	-36,600	-85,200
21	Conform to Limit on Net Interest Ded. 30% of Income	4,400	97,700	102,100	90,500	92,500	183,000
22	Conform to the modified Net Operating Loss Deduction	2,100	38,800	40,900	31,900	43,300	75,200
23	Conform to disallowing the Charitable Deduction for College Athletic Seating Payments	100	1,900	2,000	1,200	1,200	2,400
24	Tax gain on sale of partnership on a look through basis	0	1,100	1,100	1,800	1,900	3,700
25	Expand definition of built in loss for purposes of partnership loss transfers	0	400	400	300	300	600
26	Charitable contributions and foreign taxes accounted for in determining limit on partner's share of loss	0	700	700	700	800	1,500
27	Repeal rollover of publicly traded securities	0	300	300	300	300	600
28	Small business accounting	-4,300	-62,700	-67,000	-22,000	-12,200	-34,200
29	Repeal deferred gain on like kind exchanges	100	2,300	2,400	2,500	3,300	5,800
30	Reduce recovery period for real property	0	-200	-200	-400	-600	-1,000
31	Repeal deduction for lobbying expenses	0	200	200	100	100	200
32	Limit deduction for employer provided meals	200	3,600	3,800	2,600	2,700	5,300
33	Limit deduction for employer provided transportation benefits	200	2,700	2,900	2,000	2,000	4,000
34	Limit deduction for FDIC premiums	100	1,900	2,000	1,800	1,800	3,600
35	Revise treatment of contributions to capital	0	300	300	400	700	1,100
36	Modify treatment of interest for producers of beer, wine, and distilled spirits	-100	-1,500	-1,600	-900	0	-900
37	Modify limit on excessive compensation	0	500	500	600	600	1,200
38	Repeal exclusion of interest on advance refunding bonds	100	3,500	3,600	3,900	4,800	8,700
39	Inclusion of global intangible low tax income with deduction	0	6,600	6,600	6,600	6,100	12,700
40	Inclusion of foreign derived intangible income from domestic trade or business, with deduction	0	2,000	2,000	3,800	3,900	7,700
41	<b>SUBTOTAL: TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO PASS-THROUGHS</b>	<b>-17,500</b>	<b>97,300</b>	<b>79,800</b>	<b>140,000</b>	<b>173,900</b>	<b>313,900</b>
<b>TCJA CONFORMITY - CORPORATE TAX</b>							
44	Conform to Bonus Depreciation, maintain 80% add back	-1,300	2,100	800	18,300	22,600	40,900
45	Full Conformity with Section 179 Expensing	-7,500	-23,400	-30,900	-18,400	-13,900	-32,300
46	Conform to Limit on Net Interest Ded. to 30% of Income which excludes businesses with under \$25 million in gross	700	16,600	17,300	15,400	15,700	31,100
47	Conform to the modified Historic Rehab Credit	0	14,900	14,900	25,000	12,700	37,700
48	Conform to the disallowance of the Deduction for Sexual Harassment Payments made subject to NDA	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
49	Rollover of publicly traded securities	0	700	700	600	600	1,200
50	Small business accounting	-500	-6,900	-7,400	-2,400	-1,300	-3,700
51	Repeal deferred gain on like kind exchanges	100	2,900	3,000	3,100	4,200	7,300
52	Reduce recovery period for real property	0	-500	-500	-800	-1,100	-1,900
53	Repeal deduction of lobbying expenses	0	400	400	300	300	600
54	Limit deduction for employer provided meals and entertainment expenses	600	9,800	10,400	7,000	7,300	14,300
55	Limit deduction for employer provided transportation benefits	400	7,300	7,700	5,400	5,600	11,000
56	Prohibit deduction for achievement awards of cash, gift cards and other nontangible personal property	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
57	Limit deduction for FDIC premiums	200	5,000	5,200	4,900	4,900	9,800
58	Revise treatment of contributions to capital	0	800	800	1,100	2,000	3,100
59	Modify treatment of interest for products of beer, wine, and distilled spirits	-100	-1,900	-2,000	-1,100	0	-1,100
60	Modify limit on excessive compensation	0	2,800	2,800	3,600	3,600	7,200
61	Repeal exclusion of interest on advance refunding bonds	100	1,800	1,900	2,100	2,500	4,600
62	Deemed Repatriation of Foreign Income	10,800	162,000	172,800	103,500	107,100	210,600
63	Inclusion of global intangible low tax income with deduction	0	62,000	62,000	62,400	57,600	120,000
64	Inclusion of foreign derived intangible income from domestic trade or business, with deduction	0	12,300	12,300	23,000	24,000	47,000
65	<b>SUBTOTAL: TCJA CONFORMITY - CORPORATE TAX</b>	<b>3,500</b>	<b>268,700</b>	<b>272,200</b>	<b>253,000</b>	<b>254,400</b>	<b>507,400</b>
<b>REFERENCE SUBTOTAL: NET EFFECT OF GOVERNOR'S TCJA CONFORMITY PROPOSAL</b>		<b>-40,330</b>	<b>98,875</b>	<b>58,545</b>	<b>120,020</b>	<b>150,035</b>	<b>270,055</b>

	<b>OTHER INDIVIDUAL INCOME TAX PROVISIONS</b>						
70	Angel Tax Credit	0	-10,000	-10,000	0	0	0
71	State General Levy Inflation Reinstated - Interactions w/ Inc	0	0	0	-660	-1,290	-1,950
72	Expand the Working Family Tax Credit	0	-52,100	-52,100	-50,300	-51,300	-101,600
73	<b>SUBTOTAL: OTHER INDIVIDUAL INCOME TAX PROVISIONS</b>	<b>0</b>	<b>-62,100</b>	<b>-62,100</b>	<b>-50,960</b>	<b>-52,590</b>	<b>-103,550</b>
	<b>OTHER CORPORATE TAX PROVISIONS</b>						
76	Apportionment Sales Factor-Exclude Derivatives	0	0	0	0	0	0
77	Dividend Received Deduction on Debt Financed Stock	0	100	100	100	100	200
78	Base Year %-R&D Credit	0	-900	-900	-900	-900	-1,800
79	Establishing Economic Substance Requirement	0	0	0	300	1,500	1,800
80	Mutual Fund Manager Consistent Apportionment	0	6,300	6,300	9,000	12,500	21,500
81	<b>SUBTOTAL: OTHER CORPORATE TAX PROVISIONS</b>	<b>0</b>	<b>5,500</b>	<b>5,500</b>	<b>8,500</b>	<b>13,200</b>	<b>21,700</b>
	<b>SALES TAX</b>						
84	Vapor Products - Excise Tax	0	-120	-120	-310	-330	-640
85	Modify Data Center Exemption	0	6,600	6,600	35,800	32,200	68,000
86	Tobacco Indexing	0	10	10	60	100	160
87	Premium Cigars	0	-30	-30	-40	-40	-80
88	<b>SUBTOTAL: SALES TAX</b>	<b>0</b>	<b>6,460</b>	<b>6,460</b>	<b>35,510</b>	<b>31,930</b>	<b>67,440</b>
	<b>ESTATE TAX</b>						
91	Freeze Estate Tax Exclusion at \$2.4 million subtotal	0	0	0	11,500	27,100	38,600
92	<b>SUBTOTAL: ESTATE TAX</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,500</b>	<b>27,100</b>	<b>38,600</b>
	<b>STATEWIDE PROPERTY TAX</b>						
95	Statewide Property Tax - State General Levy Inflation Reinstated subtotal	0	12,140	12,140	33,630	57,930	91,560
96	<b>SUBTOTAL: STATEWIDE PROPERTY TAX</b>	<b>0</b>	<b>12,140</b>	<b>12,140</b>	<b>33,630</b>	<b>57,930</b>	<b>91,560</b>
	<b>CIGARETTE/TOBACCO TAXES</b>						
99	Tobacco Indexing - Excise Tax	0	1,900	1,900	7,400	12,700	20,100
100	Tobacco Indexing - In-Lieu of Sales Tax	0	-70	-70	-160	-270	-430
101	Moist Snuff - Excise Tax	0	300	300	1,200	2,200	3,400
102	Premium Cigars - Excise Tax	0	1,100	1,100	1,200	1,200	2,400
103	Vapor Products - Excise Tax	0	1,000	1,000	2,400	2,500	4,900
104	<b>SUBTOTAL: CIGARETTE/TOBACCO TAXES</b>	<b>0</b>	<b>4,230</b>	<b>4,230</b>	<b>12,040</b>	<b>18,330</b>	<b>30,370</b>
	<b>GROSS EARNINGS TAXES</b>						
107	Insurance Tax Fairness - Insurance Gross Premiums	0	0	0	400	400	800
108	<b>SUBTOTAL: GROSS EARNINGS TAXES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>400</b>	<b>800</b>
111	<b>TOTAL: TAX POLICY</b>	<b>(40,330)</b>	<b>65,105</b>	<b>24,775</b>	<b>170,640</b>	<b>246,335</b>	<b>416,975</b>
	<b>PROPERTY TAX AIDS, CREDITS, &amp; REFUNDS:</b>						
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116	Homestead-Allow ITIN	0	0	0	1,100	1,100	2,200
117	Net Loan Activity - Senior Property Tax Deferral Enhancement subtotal	0	0	0	170	250	420
118	<b>TOTAL: PROPERTY TAX AIDS, CREDITS, &amp; REFUNDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,270</b>	<b>1,350</b>	<b>2,620</b>
120	<b>NET GENERAL FUND EFFECT (TAX POLICY - AIDS, CREDITS, REFUNDS)</b>	<b>(40,330)</b>	<b>65,105</b>	<b>24,775</b>	<b>169,370</b>	<b>244,985</b>	<b>414,355</b>