

2018 GOVERNOR'S RECOMMENDATIONS

REVISED: April 9, 2018 | CHANGE ITEMS ONLY

\$ 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
TAX POLICY:							
TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO INDIVIDUALS							
1	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
2	Extend Mortgage Insurance Premiums Deduction	0	-7,000	-7,000	-7,800	-9,000	-16,800
3	Extend Tuition Expenses Deduction	0	-2,600	-2,600	-2,600	-2,700	-5,300
4	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
5	Conform to the TY2017 Disaster Federal Update	-5,540	1,990	-3,550	710	310	1,020
6	Conform to the Federal Tax Extenders passed on 2/9/2018	-20,790	185	-20,605	310	125	435
7	SUBTOTAL: TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO INDIVIDUALS	-26,330	-267,125	-293,455	-272,980	-278,265	-551,245
TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO PASS-THROUGHS							
10	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
11	Conform Bonus Depreciation maintain 80% MN addback	-600	1,000	400	8,700	10,700	19,400
12	Full conformity with Section 179 Expensing	-19,800	-61,800	-81,600	-48,600	-36,600	-85,200
13	Conform to Limit on Net Interest Ded. 30% of Income	4,400	97,700	102,100	90,500	92,500	183,000
14	Conform to the modified Net Operating Loss Deduction	2,100	38,800	40,900	31,900	43,300	75,200
15	Conform to disallowing the Charitable Deduction for College Athletic Seating Payments	100	1,900	2,000	1,200	1,200	2,400
16	Tax gain on sale of partnership on a look through basis	0	1,100	1,100	1,800	1,900	3,700
17	Expand definition of built in loss for purposes of partnership loss transfers	0	400	400	300	300	600
18	Charitable contributions and foreign taxes accounted for in determining limit on partner's share of loss	0	700	700	700	800	1,500
19	Repeal rollover of publicly traded securities	0	300	300	300	300	600
20	Small business accounting	-4,300	-62,700	-67,000	-22,000	-12,200	-34,200
21	Repeal deferred gain on like kind exchanges	100	2,300	2,400	2,500	3,300	5,800
22	Reduce recovery period for real property	0	-200	-200	-400	-600	-1,000
23	Repeal deduction for lobbying expenses	0	200	200	100	100	200
24	Limit deduction for employer provided meals	200	3,600	3,800	2,600	2,700	5,300
25	Limit deduction for employer provided transportation benefits	200	2,700	2,900	2,000	2,000	4,000
26	Limit deduction for FDIC premiums	100	1,900	2,000	1,800	1,800	3,600
27	Revise treatment of contributions to capital	0	300	300	400	700	1,100
28	Modify treatment of interest for producers of beer, wine, and distilled spirits	-100	-1,500	-1,600	-900	0	-900
29	Modify limit on excessive compensation	0	500	500	600	600	1,200
30	Repeal exclusion of interest on advance refunding bonds	100	3,500	3,600	3,900	4,800	8,700
31	Inclusion of global intangible low tax income with deduction	0	6,600	6,600	6,600	6,100	12,700
32	Inclusion of foreign derived intangible income from domestic trade or business, with deduction	0	2,000	2,000	3,800	3,900	7,700
33	SUBTOTAL: TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO PASS-THROUGHS	-17,500	97,300	79,800	140,000	173,900	313,900
TCJA CONFORMITY - CORPORATE TAX							
36	Conform to Bonus Depreciation, maintain 80% add back	-1,300	2,100	800	18,300	22,600	40,900
37	Full Conformity with Section 179 Expensing	-7,500	-23,400	-30,900	-18,400	-13,900	-32,300
38	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
39	Conform to the modified Historic Rehab Credit	0	14,900	14,900	25,000	12,700	37,700
40	Conform to the disallowance of the Deduction for Sexual Harassment Payments made subject to NDA	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
41	Rollover of publicly traded securities	0	700	700	600	600	1,200
42	Small business accounting	-500	-6,900	-7,400	-2,400	-1,300	-3,700
43	Repeal deferred gain on like kind exchanges	100	2,900	3,000	3,100	4,200	7,300
44	Reduce recovery period for real property	0	-500	-500	-800	-1,100	-1,900
45	Repeal deduction of lobbying expenses	0	400	400	300	300	600
46	Limit deduction for employer provided meals and entertainment expenses	600	9,800	10,400	7,000	7,300	14,300
47	Limit deduction for employer provided transportation benefits	400	7,300	7,700	5,400	5,600	11,000
48	Prohibit deduction for achievement awards of cash, gift cards and other nontangible personal property	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
49	Limit deduction for FDIC premiums	200	5,000	5,200	4,900	4,900	9,800
50	Revise treatment of contributions to capital	0	800	800	1,100	2,000	3,100
51	Modify treatment of interest for products of beer, wine, and distilled spirits	-100	-1,900	-2,000	-1,100	0	-1,100
52	Modify limit on excessive compensation	0	2,800	2,800	3,600	3,600	7,200
53	Repeal exclusion of interest on advance refunding bonds	100	1,800	1,900	2,100	2,500	4,600
54	Deemed Repatriation of Foreign Income	10,800	162,000	172,800	103,500	107,100	210,600
55	Inclusion of global intangible low tax income with deduction	0	62,000	62,000	62,400	57,600	120,000
56	Inclusion of foreign derived intangible income from domestic trade or business, with deduction	0	12,300	12,300	23,000	24,000	47,000
57	SUBTOTAL: TCJA CONFORMITY - CORPORATE TAX	3,500	268,700	272,200	253,000	254,400	507,400
59	REFERENCE SUBTOTAL: NET EFFECT OF GOVERNOR'S TCJA CONFORMITY PROPOSAL	-40,330	98,875	58,545	120,020	150,035	270,055

	OTHER INDIVIDUAL INCOME TAX PROVISIONS					
62	Angel Tax Credit	0	-10,000	-10,000	0	0
63	State General Levy Inflation Reinstated - Interactions w/ Inc	0	0	0	-660	-1,290
64	Expand the Working Family Tax Credit	0	-52,100	-52,100	-50,300	-51,300
65	SUBTOTAL: OTHER INDIVIDUAL INCOME TAX PROVISIONS	0	-62,100	-62,100	-50,960	-52,590
	OTHER CORPORATE TAX PROVISIONS					
68	Apportionment Sales Factor-Exclude Derivatives	0	0	0	0	0
69	Dividend Received Deduction on Debt Financed Stock	0	100	100	100	100
70	Base Year %-R&D Credit	0	-900	-900	-900	-900
71	Establishing Economic Substance Requirement	0	0	0	300	1,500
72	Mutual Fund Manager Consistent Apportionment	0	6,300	6,300	9,000	12,500
73	SUBTOTAL: OTHER CORPORATE TAX PROVISIONS	0	5,500	5,500	8,500	13,200
	SALES TAX					
76	Vapor Products - Excise Tax	0	-120	-120	-310	-330
77	Modify Data Center Exemption	0	6,600	6,600	35,800	32,200
78	Tobacco Indexing	0	10	10	60	100
79	Premium Cigars	0	-30	-30	-40	-40
80	SUBTOTAL: SALES TAX	0	6,460	6,460	35,510	31,930
	ESTATE TAX					
83	Freeze Estate Tax Exclusion at \$2.4 million subtotal	0	0	0	11,500	27,100
84	SUBTOTAL: ESTATE TAX	0	0	0	11,500	27,100
	STATEWIDE PROPERTY TAX					
87	Statewide Property Tax - State General Levy Inflation Reinstated subtotal	0	12,140	12,140	33,630	57,930
88	SUBTOTAL: STATEWIDE PROPERTY TAX	0	12,140	12,140	33,630	57,930
	CIGARETTE/TOBACCO TAXES					
91	Tobacco Indexing - Excise Tax	0	1,900	1,900	7,400	12,700
92	Tobacco Indexing - In-Lieu of Sales Tax	0	-70	-70	-160	-270
93	Moist Snuff - Excise Tax	0	300	300	1,200	2,200
94	Premium Cigars - Excise Tax	0	1,100	1,100	1,200	1,200
95	Vapor Products - Excise Tax	0	1,000	1,000	2,400	2,500
96	SUBTOTAL: CIGARETTE/TOBACCO TAXES	0	4,230	4,230	12,040	18,330
	GROSS EARNINGS TAXES					
99	Insurance Tax Fairness - Insurance Gross Premiums	0	0	0	400	400
100	SUBTOTAL: GROSS EARNINGS TAXES	0	0	0	400	400
105	TOTAL: TAX POLICY	(40,330)	65,105	24,775	170,640	246,335
	PROPERTY TAX AIDS, CREDITS, & REFUNDS:					
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108	Homestead-Allow ITIN	0	0	0	1,100	1,100
109	Net Loan Activity - Senior Property Tax Deferral Enhancement subtotal	0	0	0	170	250
110	Sustainable Forest Incentive Act (SFIA) Private Lands Timber Harvest Credit	0	8,000	8,000	0	0
111	DNR Administration Funding for Private Lands Timber Harvest Credit	0	720	720	0	0
112	TOTAL: PROPERTY TAX AIDS, CREDITS, & REFUNDS	0	8,720	8,720	1,270	1,350
116	NET GENERAL FUND EFFECT (TAX POLICY - AIDS, CREDITS, REFUNDS)	(40,330)	56,385	16,055	169,370	244,985