

2018 Omnibus Tax Bill (SF 3982-1E, As Amended by Taxes Committee)

SUMMARY

\$ in thousands

TAX POLICY: Positive amounts indicate revenue increase

AIDS, CREDITS, & REFUNDS: Positive amounts indicate expenditure

LINE	ITEM	FY 18-19	FY 20-21
	GENERAL FUND FORECAST (FEBRUARY 2018)		
1	TAX POLICY (REVENUE)	42,963,853	46,360,377
2	PROPERTY TAX REFUNDS, AIDS, & CREDITS	3,655,702	3,652,469
	GENERAL FUND PROPOSED CHANGES		
5	TAX POLICY	-171,405	-94,425
6	PROPERTY TAX REFUNDS, AIDS, & CREDITS	0	-270
7	SUBTOTAL: GENERAL FUND PROPOSED CHANGES NET EFFECT	-171,405	-94,155
	NON-GENERAL FUND PROPOSED CHANGES		
10	LEGACY FUNDS	-30	-60
11	MNSURE ACCOUNT	0	0
12	IRON RANGE SCHOOL CONSOLIDATION AND COOPERATIVELY OPERATED SCHOOL ACCOUNT	2,500	5,000
13	TACONITE ECONOMIC DEVELOPMENT FUND	0	-832
14	TACONITE ENVIRONMENTAL PROTECTION ACCOUNT	-2,500	-4,168
15	IRON RANGE RESOURCES AND REHABILITATION ACCOUNT	3,211	0
16	TACONITE PROPERTY TAX RELIEF ACCOUNT	-3,211	0
17	SUBTOTAL: NON-GENERAL FUND PROPOSED CHANGES	-30	-60

2018 Omnibus Tax Bill (SF 3982-1E, As Amended by Taxes Committee)

GENERAL FUND, 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	AUTHOR	SF	ITEM	EFFECTIVE DATE	A	B	C	D	E	F
					FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
TAX POLICY:										
TCJA CONFORMITY - NON-BUSINESS INDIVIDUAL INCOME TAX PROVISIONS										
1			Reverse Forecast Adjustment/Repeal Consistent Election Requirement	TY18	0	-26,500	-26,500	-27,100	-27,900	-55,000
2			FAGI Starting Point/Adopt Chained CPI/Allow prior law federal itemized deductions	TY18	0	-23,500	-23,500	500	14,300	14,800
3			Allow Exclusion of Discharged Student Loan Debt in Case of Death or Disability	TY18	0	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
4			Allow Section 529 Withdrawals of up to \$10,000	TY18	0	-800	-800	-800	-900	-1,700
5			Expand Eligibility for Medical Expense Deduction by Reducing FAGI Floor to 7.5% (from 10%)	TY17-18	0	-26,400	-26,400	0	0	0
6			Repeal Deduction for Alimony Payments and Corresponding Inclusion of Received Alimony	TY19	0	500	500	1,100	2,300	3,400
7			Subtraction for Qualified Moving Expenses	TY19	0	-5,000	-5,000	-3,700	-3,900	-7,600
8			Suspend Deduction for moving expenses (other than service members)	TY19	0	5,000	5,000	3,900	4,000	7,900
9			Clarify Limit on Wagering Losses	TY18	0	150	150	90	90	180
10			Conform to Disallowing the Charitable Deduction for College Athletic Seating Payments	TY18	0	2,000	2,000	1,200	1,200	2,400
11			Repeal Exclusion for Certain Employer-Provided Bicycle Fringe Benefits	TY18	0	40	40	30	30	60
12			Allow Increased Contributions to ABLE Accounts	TY18	0	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
13			Extend Rollover Period for Certain Retirement Plan Loan Offsets	TY18	0	(Negl.)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
14			Repeal Special Rule Permitting Recharacterization of IRA Contributions	TY18	0	450	450	300	300	600
15			SUBTOTAL: TCJA CONFORMITY - NON-BUSINESS INDIVIDUAL INCOME TAX PROVISIONS		0	-74,060	-74,060	-24,480	-10,480	-34,960
TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO PASS-THROUGHS										
18	Lang	540	Full conformity with Section 179 Expensing (Eliminate 80% Addback)	TY19	0	-20,300	-20,300	-63,700	-50,000	-113,700
19			Conform to Bonus Depreciation (Maintain 80% MN Addback)	TY18	-600	1,000	400	8,700	10,700	19,400
20			Disallow Certain Active Pass Through Losses (above \$250k for single and \$500k for joint filers)	TY18	0	58,000	58,000	52,200	46,300	98,500
21			Tax Gain on Sale of Partnership on a Look-Through Basis	TY18	0	1,100	1,100	1,800	1,900	3,700
22			Expand Definition of Built-in Loss for Purposes of Partnership Loss Transfers	TY18	0	400	400	300	300	600
23			Charitable Contributions and Foreign Taxes Accounted for in Determining Limit on Partner's Share of Loss	TY18	0	700	700	700	800	1,500
24			Repeal Rollover of Publicly Traded Securities Gain	TY18	0	300	300	300	300	600
25			Small Business Accounting Method Reform and Simplification	TY18	-4,300	-62,700	-67,000	-22,000	-12,200	-34,200
26			Conform to Limitation on Net Interest Deduction (30% of Income)	TY18	4,400	97,700	102,100	90,500	92,500	183,000

LINE	AUTHOR	SF	ITEM	EFFECTIVE DATE	A	B	C	D	E	F
					FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
27			Conform to Modifications of Net Operating Loss Deduction	TY18	2,100	38,800	40,900	31,900	43,300	75,200
28			Repeal Deferred Gain on Like-Kind Exchanges	TY18	100	2,300	2,400	2,500	3,300	5,800
29			Reduce Recovery Period for Certain Real Property	TY18	0	-200	-200	-400	-600	-1,000
30			Repeal Deduction for Local Lobbying Expenses	7/1/2018	0	200	200	100	100	200
31			Limit Deduction for Employer-Provided Meals and Entertainment Expenses	TY18	200	3,600	3,800	2,600	2,700	5,300
32			Limit Deduction for Certain Employer-Provided Transportation Benefits	TY18	200	2,700	2,900	2,000	2,000	4,000
33			Prohibit Deduction for Employee Achievement Awards	TY18	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
34			Limit Deduction for FDIC Premiums	TY18	100	1,900	2,000	1,800	1,800	3,600
35			Conform to Disallowance of Deduction for Sexual Harassment Payments Made Subject to NDA	7/1/2018	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
36			Revise Treatment of Contributions to Capital	7/1/2018	0	300	300	400	700	1,100
37			Modify Treatment of Interest for Producers of Beer, Wine, and Distilled Spirits	TY18-19	-100	-1,500	-1,600	-900	0	-900
38			Modify Limit on Excessive Compensation	TY18	0	500	500	600	600	1,200
39			Repeal Exclusion of Interest on Advance Refunding Bonds	TY18	100	3,500	3,600	3,900	4,800	8,700
40			SUBTOTAL: TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO PASS-THROUGHS		2,200	128,300	130,500	113,300	149,300	262,600
			TCJA CONFORMITY - CORPORATE FRANCHISE TAX							
43	Lang	540	Full conformity with Section 179 Expensing (Eliminate 80% Addback)	TY19	0	-7,700	-7,700	-24,100	-18,900	-43,000
44			Index Corporate Minimum Fee Using Chained CPI	TY18	0	0	0	100	100	200
45			Conform to Bonus Depreciation (Maintain 80% MN Addback)	TY18	-1,300	2,100	800	18,300	22,600	40,900
46			Repeal Rollover of Publicly Traded Securities Gain	TY18	0	700	700	600	600	1,200
47			Small Business Accounting Method Reform and Simplification	TY18	-500	-6,900	-7,400	-2,400	-1,300	-3,700
48			Conform to Limitation on Net Interest Deduction (30% of Income)	TY18	700	16,600	17,300	15,400	15,700	31,100
49			Repeal Deferred Gain on Like-Kind Exchanges	TY18	100	2,900	3,000	3,100	4,200	7,300
50			Reduce Recovery Period for Certain Real Property	TY18	0	-500	-500	-800	-1,100	-1,900
51			Repeal Deduction for Local Lobbying Expenses	7/1/2018	0	400	400	300	300	600
52			Limit Deduction for Employer-Provided Meals and Entertainment Expenses	TY18	600	9,800	10,400	7,000	7,300	14,300
53			Limit Deduction for Certain Employer-Provided Transportation Benefits	TY18	400	7,300	7,700	5,400	5,600	11,000
54			Prohibit Deduction for Employee Achievement Awards	TY18	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
55			Limit Deduction for FDIC Premiums	TY18	200	5,000	5,200	4,900	4,900	9,800
56			Conform to Disallowance of Deduction for Sexual Harassment Payments Made Subject to NDA	7/1/2018	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
57			Revise Treatment of Contributions to Capital	7/1/2018	0	800	800	1,100	2,000	3,100
58			Conform to Modifications of Historic Rehabilitation Credit	TY18	0	14,900	14,900	25,000	12,700	37,700
59			Modify Treatment of Interest for Producers of Beer, Wine, and Distilled Spirits	TY18-19	-100	-1,900	-2,000	-1,100	0	-1,100
60			Modify Limit on Excessive Compensation	TY18	0	2,800	2,800	3,600	3,600	7,200
61			Repeal Exclusion of Interest on Advance Refunding Bonds	TY18	100	1,800	1,900	2,100	2,500	4,600
62			SUBTOTAL: TCJA CONFORMITY - CORPORATE FRANCHISE TAX		200	48,100	48,300	58,500	60,800	119,300

LINE	AUTHOR	SF	ITEM	EFFECTIVE DATE	A	B	C	D	E	F
					FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
			UNRELATED BUSINESS INCOME TAX							
65			Unrelated Business Income of Charitable Organizations Separately Computed	TY18	0	3,100	3,100	2,200	2,200	4,400
66			SUBTOTAL: UNRELATED BUSINESS INCOME TAX		0	3,100	3,100	2,200	2,200	4,400
			OTHER CONFORMITY							
69	Franzen	2523	Conform to Disaster Tax Relief and Airport and Airway Extension Act*	7/1/2018	-5,540	1,990	-3,550	710	310	1,020
70			Conform to Bipartisan Budget Act of 2018*	7/1/2018	-20,790	185	-20,605	310	125	435
71			Make Permanent Mortgage Insurance Premiums Deduction	TY18	0	-7,000	-7,000	-7,800	-9,000	-16,800
72			Make Premanent Tuition Expenses Deduction	TY18	0	-2,600	-2,600	-2,600	-2,700	-5,300
73			SUBTOTAL: OTHER CONFORMITY		-26,330	-7,425	-33,755	-9,380	-11,265	-20,645
75			<i>REFERENCE SUBTOTAL: NET EFFECT OF CONFORMITY-RELATED ITEMS</i>		<i>-23,930</i>	<i>98,015</i>	<i>74,085</i>	<i>140,140</i>	<i>190,555</i>	<i>330,695</i>
			OTHER INDIVIDUAL INCOME TAX PROVISIONS							
78	Chamberlain		Rate Reduction on 1st Bracket (to 5.10% from 5.35%)	TY18	0	-237,800	-237,800	-166,200	-171,200	-337,400
79	Anderson, P.	1668	Angel Tax Credit	TY18	0	-5,000	-5,000	0	0	0
80	Rest	3850	Stillbirth Credit Modification	Retro 1/1/2016	<i>Negl.</i>	<i>Negl.</i>	<i>Negl.</i>	<i>Negl.</i>	<i>Negl.</i>	<i>Negl.</i>
81	Chamberlain	4010	Tax Rate Reduction Contingent on Budget Surplus	7/1/2018	0	0	0	<i>(Unkn.)</i>	<i>(Unkn.)</i>	<i>(Unkn.)</i>
82	Chamberlain	265	Cannabis Expense Subtraction	TY18	<i>(Unkn.)</i>	<i>(Unkn.)</i>	<i>(Unkn.)</i>	<i>(Unkn.)</i>	<i>(Unkn.)</i>	<i>(Unkn.)</i>
83	Dziedzic	A11	Interaction: Cloquet Area Fire and Ambulance Taxing District Modifications	Local Action	0	0	0	-40	-40	-80
84	Johnson	3735	Interaction: Intrastate Natural Gas Transportation or Distribution Pipeline Exemption	Payable 20	0	0	0	0	<i>Negl.</i>	<i>Negl.</i>
85			SUBTOTAL: OTHER INDIVIDUAL INCOME TAX PROVISIONS		0	-242,800	-242,800	-166,240	-171,240	-337,480
			OTHER CORPORATE FRANCHISE TAX PROVISIONS							
88	Chamberlain	3201	Captive Insurance Company Definition	Retro 2017	0	0	0	0	-400	-400
89			SUBTOTAL: OTHER CORPORATE TAX PROVISIONS		0	0	0	0	-400	-400
			SALES TAX							
92	Anderson, P.	3503	Exemption: Construction of Minnetonka Public Safety Facility (Expires 1/1/21)	1/30/2018	0	-110	-110	-520	-180	-700
93	Rest	A16	Exemption: Inver Grove Heights Fire Station (Expires 1/1/21)	6/30/2018	0	-220	-220	0	0	0
94	Westrom	387	Exemption: Extend Exemption of Construction Materials for City of Melrose (Expires 1/1/23)	Retro 9/30/16	100	-100	0	0	0	0
95	Ingebritsen	659	Exemption: Game Release Fees	FY19	0	-160	-160	-160	-170	-330
96			SUBTOTAL: SALES TAX		100	-590	-490	-680	-350	-1,030

LINE	AUTHOR	SF	ITEM	EFFECTIVE DATE	A	B	C	D	E	F
					FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21
99	Johnson	3735	STATEWIDE PROPERTY TAX							
100			Intrastate Natural Gas Transportation or Distribution Pipeline Exemption	Payable 20	0	0	0	(Negl.)	-10	-10
			SUBTOTAL: STATEWIDE PROPERTY TAX		0	0	0	0	-10	-10
			ESTATE TAX							
103	Nelson	3867	Increase Estate Tax Exclusion to \$5 million	1/1/2019	0	0	0	-38,400	-44,100	-82,500
104	Relph	2951	Modification to Definition of Qualified Property	Retro 1/1/2018	(Unkn.)	(Unkn.)	(Unkn.)	(Unkn.)	(Unkn.)	(Unkn.)
105			SUBTOTAL: ESTATE TAX		0	0	0	-38,400	-44,100	-82,500
			OCCUPATION TAX							
108	Eichorn	2965	Occupation Tax Refund	FY19	0	-2,200	-2,200	-1,900	-1,800	-3,700
109			SUBTOTAL: OCCUPATION TAX		0	-2,200	-2,200	-1,900	-1,800	-3,700
113			TOTAL: TAX POLICY		(23,830)	(147,575)	(171,405)	(67,080)	(27,345)	(94,425)
			AIDS, CREDITS, AND REFUNDS:							
			PROPERTY TAX REFUNDS							
117	Koran	741	Certain Ground Lease Payments Made Eligible for Homestead Credit Refund	Payable 19	0	0	0	180	180	360
118	Anderson, B.	3261	Disabled Veterans Homestead Exclusion Spousal Benefit Modified	Payable 19	0	0	0	-660	-70	-730
119	Koran	3661	Retreat or Craft Houses Reclassified as Seasonal-Recreational Property	Payable 19	0	0	0	Negl.	Negl.	Negl.
120	Dziedzic	A11	Interaction: Cloquet Area Fire and Ambulance Taxing District Modifications	Local Action	0	0	0	50	50	100
121	Chamberlain	2458	Interaction: Property Tax Exemption Expansion to Indian Tribe Owned Pharmacy	Payable 19	0	0	0	Negl.	Negl.	Negl.
122			SUBTOTAL: PROPERTY TAX REFUNDS		0	0	0	-430	160	-270
126			TOTAL: AIDS, CREDITS, AND REFUNDS		0	0	0	(430)	160	(270)
129			NET GENERAL FUND EFFECT (TAX POLICY - AIDS, CREDITS, REFUNDS)		(23,830)	(147,575)	(171,405)	(66,650)	(27,505)	(94,155)

NOTES

* - Total includes individual income tax revenue and corporate franchise tax revenue

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NON-GENERAL FUND, CHANGE ITEMS ONLY

\$ in thousands | BOLD indicates rows included in total

Positive amounts indicate revenue increase

LINE	AUTHOR	SF	ITEM	EFFECTIVE DATE	A		B		C		D		E		F	
					FY 18	FY 19	FY 18-19	FY 20	FY 21	FY 20-21						
NON-GENERAL FUND EFFECTS:																
LEGACY FUNDS																
1	Anderson, P.	3503	Exemption: Construction of Minnetonka Public Safety Facility (Expires 1/1/21)	1/30/2018	0	-10	-10	-30	-10	-40						
2	Rest	A16	Exemption: Inver Grove Heights Fire Station (Expires 1/1/21)	6/30/2018	0	-10	-10	0	0	0						
3	Westrom	387	Exemption: Extend Exemption of Construction Materials for City of Melrose (Expires 1/1/23)	Retro 9/30/16	5	-5	0	0	0	0						
4	Ingebritsen	659	Exemption: Game Release Fees	FY19	0	-10	-10	-10	-10	-20						
5			SUBTOTAL: LEGACY FUNDS		5	-35	-30	-40	-20	-60						
MNSURE ACCOUNT																
8	Chamberlain	3392	Revenue reduction: Premium Withold Decreased to 2% (from 3.5%)	1/1/2019	0	-4,676	-4,676	-9,127	-9,126	-18,253						
9	Chamberlain	3392	Expenditure reduction: Reduced Appropriation for Mnsure Operations	1/1/2019	0	4,676	4,676	9,127	9,126	18,253						
10			SUBTOTAL: MNSURE ACCOUNT		0	0	0	0	0	0						
IRON RANGE SCHOOL CONSOLIDATION AND COOPERATIVELY OPERATED SCHOOL ACCOUNT																
13	Bakk	A6	Increased Allocation of Production Tax Revenues	2018 Distr.	0	2,500	2,500	2,500	2,500	5,000						
14			SUBTOTAL: TACONITE ECONOMIC DEVELOPMENT FUND		0	2,500	2,500	2,500	2,500	5,000						
TACONITE ECONOMIC DEVELOPMENT FUND																
17	Bakk	3995, A3	Modify Eligibility for Distributions	Retro 12/31/16	0	0	0	-413	-419	-832						
18			SUBTOTAL: TACONITE ECONOMIC DEVELOPMENT FUND		0	0	0	-413	-419	-832						
TACONITE ENVIRONMENTAL PROTECTION FUND																
21	Bakk	3995, A3	Receipt of Excess Remainder of TEDF Distributions	7/1/2018	0	0	0	413	419	832						
22	Bakk	A6	Decreased Allocation of Production Tax Revenues	2018 Distr.	0	-2,500	-2,500	-2,500	-2,500	-5,000						
23			SUBTOTAL: TACONITE ENVIRONMENTAL PROTECTION FUND		0	-2,500	-2,500	-2,087	-2,081	-4,168						
IRON RANGE RESOURCES AND REHABILITATION ACCOUNT																
26	Bakk	3995, A3	Transfer in from Taconite Property Tax Relief Account	2018 Distr.	0	3,211	3,211	0	0	0						
27			SUBTOTAL: IRON RANGE RESOURCES AND REHABILITATION ACCOUNT		0	3,211	3,211	0	0	0						
TACONITE PROPERTY TAX RELIEF ACCOUNT																
30	Bakk	3995, A3	Transfer out to Iron Range Resources and Rehabilitation Account	2018 Distr.	0	-3,211	-3,211	0	0	0						
31			SUBTOTAL: TACONITE PROPERTY TAX RELIEF ACCOUNT		0	-3,211	-3,211	0	0	0						
35			TOTAL: NON-GENERAL FUND EFFECTS		5	(35)	(30)	(40)	(20)	(60)						

APPENDIX A: NON-FISCAL POLICY ITEMS

ITEMS WITHOUT STATE BUDGET EFFECTS

LINE	AUTHOR	SF	ITEM	EFFECTIVE DATE
<u>PUBLIC FINANCE:</u>				
1	Senjem	3409	Public Facilities Project Bond Allocation Act Modification	7/1/2018
2	Chamberlain	3097	Drainage Lien Principal Interest Rate Modification	7/1/2018
<u>PROPERTY TAX:</u>				
5	Housley	2661	Metropolitan Agricultural Preserves Expiration Modification	DFE
6	Johnson	2463	Northwest Minnesota Multicounty Housing and Redevelopment Levy Authority (Expires Payable 24)	Payable 19
7	Chamberlain	1918	Fire Protection Special Taxing District	DFE
8	Lang	3077	Watershed District Levy Authority Modified	Payable 19
9	Bakk	1274	Cities and Towns May Appropriate to Local Historical Societies	DFE
10	Utke	3707	Pipeline and Utilities Property Valuation Study and Report	7/1/2018
11	Bakk	3995	Sustainable Forest Incentive Act (SFIA) Program Eligible Land Clarification	DFE
<u>LOCAL:</u>				
14	Westrom	2519	Fire Remediation Grant Extension	DFE
15	Dziedzic	2903	Increase City of Minneapolis Maximum Allowable Lodging Tax Cap to 13.875% (from 13%)	Local Approval
16	Mathews	3253	Excise Tax and Fee Prohibition	DFE
17	Rest	A7	Authority for St. Paul Lodging Tax Increase to 4% (from 3%)	Local Approval
18	Senjem	A18	Wind Energy Production Tax Modification	DFE
<u>TECHNICAL AND POLICY:</u>				
21	Chamberlain	3712	Department of Revenue Policy Bill (with modifications)	Various
22	Chamberlain	3711	Department of Revenue Technical Bill (with modifications)	Various