

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
TAX POLICY:							
TCJA CONFORMITY - INDIVIDUAL INCOME TAX PROVISIONS RELATED TO INDIVIDUALS							
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	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							
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	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							
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	SUBTOTAL: TCJA CONFORMITY - CORPORATE TAX	3,500	268,700	272,200	253,000	254,400	507,400
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					
70	Angel Tax Credit	0	-10,000	-10,000	0	0
71	State General Levy Inflation Reinstated - Interactions w/ Inc	0	0	0	-660	-1,290
72	Expand the Working Family Tax Credit	0	-52,100	-52,100	-50,300	-51,300
73	SUBTOTAL: OTHER INDIVIDUAL INCOME TAX PROVISIONS	0	-62,100	-62,100	-50,960	-52,590
	OTHER CORPORATE TAX PROVISIONS					
76	Apportionment Sales Factor-Exclude Derivatives	0	0	0	0	0
77	Dividend Received Deduction on Debt Financed Stock	0	100	100	100	100
78	Base Year %-R&D Credit	0	-900	-900	-900	-900
79	Establishing Economic Substance Requirement	0	0	0	300	1,500
80	Mutual Fund Manager Consistent Apportionment	0	6,300	6,300	9,000	12,500
81	SUBTOTAL: OTHER CORPORATE TAX PROVISIONS	0	5,500	5,500	8,500	13,200
	SALES TAX					
84	Vapor Products - Excise Tax	0	-120	-120	-310	-330
85	Modify Data Center Exemption	0	6,600	6,600	35,800	32,200
86	Tobacco Indexing	0	10	10	60	100
87	Premium Cigars	0	-30	-30	-40	-40
88	SUBTOTAL: SALES TAX	0	6,460	6,460	35,510	31,930
	ESTATE TAX					
91	Freeze Estate Tax Exclusion at \$2.4 million subtotal	0	0	0	11,500	27,100
92	SUBTOTAL: ESTATE TAX	0	0	0	11,500	27,100
	STATEWIDE PROPERTY TAX					
95	Statewide Property Tax - State General Levy Inflation Reinstated subtotal	0	12,140	12,140	33,630	57,930
96	SUBTOTAL: STATEWIDE PROPERTY TAX	0	12,140	12,140	33,630	57,930
	CIGARETTE/TOBACCO TAXES					
99	Tobacco Indexing - Excise Tax	0	1,900	1,900	7,400	12,700
100	Tobacco Indexing - In-Lieu of Sales Tax	0	-70	-70	-160	-270
101	Moist Snuff - Excise Tax	0	300	300	1,200	2,200
102	Premium Cigars - Excise Tax	0	1,100	1,100	1,200	1,200
103	Vapor Products - Excise Tax	0	1,000	1,000	2,400	2,500
104	SUBTOTAL: CIGARETTE/TOBACCO TAXES	0	4,230	4,230	12,040	18,330
	GROSS EARNINGS TAXES					
107	Insurance Tax Fairness - Insurance Gross Premiums	0	0	0	400	400
108	SUBTOTAL: GROSS EARNINGS TAXES	0	0	0	400	400
111	TOTAL: TAX POLICY	(40,330)	65,105	24,775	170,640	246,335
	PROPERTY TAX AIDS, CREDITS, & REFUNDS:					
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116	Homestead-Allow ITIN	0	0	0	1,100	1,100
117	Net Loan Activity - Senior Property Tax Deferral Enhancement subtotal	0	0	0	170	250
118	TOTAL: PROPERTY TAX AIDS, CREDITS, & REFUNDS	0	0	0	1,270	1,350
120	NET GENERAL FUND EFFECT (TAX POLICY - AIDS, CREDITS, REFUNDS)	(40,330)	65,105	24,775	169,370	244,985