

ESTIMATED BUDGET EFFECTS

MECHANICAL CONFORMITY TO FEDERAL UPDATES AS OF MARCH 27, 2020

Revised for May 2020
Interim Budget Projection

\$\$\$ in Thousands | Based on May 2020 Interim Budget Projection

| | A | B | C | D | E | F | G |
|--|-----------|-------|------------------|------------------|----------------|----------------|----------------|
| PROVISION | Effective | FY 20 | FY 21 | FY 20-21 | FY 22 | FY 23 | FY 22-23 |
| I. CARES Act | | | | | | | |
| INDIVIDUAL INCOME | | | | | | | |
| 1 Special rules for use of retirement funds | TY20 | - | (3,200) | (3,200) | 1,700 | 1,700 | 3,400 |
| 2 Partial above-the-line deduction for charitable contributions | TY20 | - | (5,900) | (5,900) | - | - | - |
| 3 Modifications of limitation on charitable contributions | TY20 | - | (16,500) | (16,500) | 6,100 | 3,900 | 10,000 |
| 4 Exclusion for certain employer payments of student loans | TY20 | - | (4,900) | (4,900) | - | - | - |
| 5 Employee retention credit for employers affected by COVID-19 | TY20 | - | 6,500 | 6,500 | - | - | - |
| 6 Modification of limitation on losses for pass-through entities | TY18-20 | - | (267,200) | (267,200) | 3,400 | 1,500 | 4,900 |
| 7 Modification of limitation on business interest | TY19-20 | - | (22,700) | (22,700) | (3,300) | (1,700) | (5,000) |
| 8 Inclusion of certain over-the-counter medical products as qualified medical expenses | TY20 | - | (Negl.) | (Negl.) | (Negl.) | (Negl.) | (Negl.) |
| 9 SUBTOTAL: | | - | (313,900) | (313,900) | 7,900 | 5,400 | 13,300 |
| CORPORATE FRANCHISE | | | | | | | |
| 12 Modifications of limitation on charitable contributions | TY20 | - | (1,900) | (1,900) | 700 | 500 | 1,200 |
| 13 Employee retention credit for employers affected by COVID-19 | TY20 | - | 15,400 | 15,400 | - | - | - |
| 14 Modification of limitation on business interest | TY19-20 | - | (26,000) | (26,000) | (3,800) | (1,900) | (5,700) |
| 15 SUBTOTAL: | | - | (12,500) | (12,500) | (3,100) | (1,400) | (4,500) |
| 20 SUBTOTAL: CARES Act | | - | (326,400) | (326,400) | 4,800 | 4,000 | 8,800 |
| II. Families First Coronavirus Response Act (FFCRA) | | | | | | | |
| INDIVIDUAL INCOME | | | | | | | |
| 23 Paid Sick and Paid Family Leave Credits | TY20 | - | 11,100 | 11,100 | - | - | - |
| 24 SUBTOTAL: | | - | 11,100 | 11,100 | - | - | - |
| CORPORATE FRANCHISE | | | | | | | |
| 27 Paid Sick and Paid Family Leave Credits | TY20 | - | 27,200 | 27,200 | - | - | - |
| 28 SUBTOTAL: | | - | 27,200 | 27,200 | - | - | - |
| 30 SUBTOTAL: Families First Coronavirus Response Act (FFCRA) | | - | 38,300 | 38,300 | - | - | - |
| III. Further Consolidated Appropriations Act, 2020 | | | | | | | |
| INDIVIDUAL INCOME | | | | | | | |
| 36 Exclusion of discharge of indebtedness on qualified principal residence | TY18-20 | - | (6,700) | (6,700) | - | - | - |
| 37 Expansion of Section 529 plans | TY19 | - | (250) | (250) | (160) | (160) | (320) |
| 38 Extension of above-line deduction for qualified tuition and related expenses | TY18-20 | - | (5,300) | (5,300) | - | - | - |
| 39 Accelerated depreciation for business property on Indian reservations | TY18-20 | - | (220) | (220) | (40) | (10) | (50) |
| 40 Special expensing rules for certain film, television, and live theatrical productions | TY18-20 | - | (2,900) | (2,900) | 700 | 500 | 1,200 |
| 41 Energy-efficient commercial building deduction | TY18-20 | - | (700) | (700) | 10 | 10 | 20 |
| 42 Special rule for the production period for beer, wine, and distilled spirits | TY20 | - | (60) | (60) | 10 | 10 | 20 |
| 43 Special disaster-related rules for use of retirement funds | Limited | - | (170) | (170) | 90 | 90 | 180 |
| 44 Special rules for qualified disaster-related personal casualty losses | Limited | - | (3,000) | (3,000) | (600) | (200) | (800) |
| 45 Temporary increase in limitation on qualified contributions | Limited | - | (1,400) | (1,400) | 600 | 300 | 900 |
| 46 SUBTOTAL: | | - | (20,700) | (20,700) | 610 | 540 | 1,150 |
| CORPORATE FRANCHISE | | | | | | | |
| 49 Seven-year recovery period for motorsports entertainment complexes | TY18-20 | - | (240) | (240) | (80) | (60) | (140) |
| 50 Accelerated depreciation for business property on Indian reservations | TY18-20 | - | (170) | (170) | (30) | (10) | (40) |
| 51 Special expensing rules for certain film, television, and live theatrical productions | TY18-20 | - | (2,200) | (2,200) | 400 | 400 | 800 |
| 52 Special depreciation allowances for 2nd generation biofuel plant property | TY18-20 | - | (Negl.) | (Negl.) | (Negl.) | (Negl.) | (Negl.) |
| 53 Energy-efficient commercial building deduction | TY18-20 | - | (1,170) | (1,170) | 80 | 60 | 140 |
| 54 Special rule for the production period for beer, wine, and distilled spirits | TY20 | - | (100) | (100) | 20 | 20 | 40 |
| 55 Special rule for sales or dispositions of transmission lines for qualified electric utilities | TY18-20 | - | (1,500) | (1,500) | 250 | 250 | 500 |
| 56 SUBTOTAL: | | - | (5,380) | (5,380) | 640 | 660 | 1,300 |
| 60 SUBTOTAL: Further Consolidated Appropriations Act, 2020 | | - | (26,080) | (26,080) | 1,250 | 1,200 | 2,450 |

ALL PROVISIONS

| | | | | | | | |
|---|--|---|------------------|------------------|----------------|--------------|----------------|
| 63 Individual Income Tax Effects | | - | (323,500) | (323,500) | 8,510 | 5,940 | 14,450 |
| 64 Corporate Franchise Tax Effects | | - | 9,320 | 9,320 | (2,460) | (740) | (3,200) |
| 65 TOTAL: All General Fund Revenue Effects | | - | (314,180) | (314,180) | 6,050 | 5,200 | 11,250 |

NOTES:

Estimates are subject to change based on new and better information.

Tracking based on estimates provided by DOR Research:

Preliminary Estimates of Coronavirus Aid, Relief, and Economic Security (CARES) Act - May 6, 2020

Preliminary Estimates of Families First Coronavirus Response Act (FFCRA) - May 6, 2020

Further Consolidated Appropriations Act, 2020 - May 6, 2020

Provisions estimated are based on "mechanical" conformity to federal law changes.

Modifying MN's treatment of Corporate NOLs consistent with federal changes is not considered mechanical conformity, therefore, it is estimated separately. This change is estimated to reduce corporate franchise tax revenue to the general fund by \$353.5 million in FY21, increase revenue by \$12.5 million in FY22, and increase revenue by \$13.4 million in FY23.