



**Governor's Tax Bill  
State Tax Provisions Only**

April 16, 2018

	Yes	No
DOR Administrative Costs/Savings	X	

*State Taxes Only—  
See Separate Analysis for Property Tax Provisions*

Department of Revenue  
Analysis of H.F. 4385 (Davids) As Proposed to be Amended (A18-0764)

	<b>Fund Impact</b>			
	<b>F.Y. 2018</b>	<b>F.Y. 2019</b>	<b>F.Y. 2020</b>	<b>F.Y. 2021</b>
	(000's)			
<b>Federal Update</b>				
Disaster Tax Relief Act (11/29/17)				
Individual Income Tax	(\$5,140)	\$1,790	\$610	\$310
Corporate Franchise Tax	(\$400)	\$200	\$100	\$0
Subtotal	(\$5,540)	\$1,990	\$710	\$310
Tax Cuts and Jobs Act (12/20/17) with modifications				
Individual Income Tax	(\$17,500)	\$70,800	\$112,900	\$146,000
Corporate Franchise Tax	\$3,500	\$268,700	\$253,000	\$254,400
Subtotal	(\$14,000)	\$339,500	\$365,900	\$400,400
Bipartisan Budget Act of 2018 (2/9/18)				
Individual Income Tax	(\$18,480)	(\$225)	(\$50)	(\$145)
Corporate Franchise Tax	(\$2,310)	\$410	\$360	\$270
Subtotal	(\$20,790)	\$185	\$310	\$125
Consolidated Appropriations Act of 2018 (3/23/18)				
	\$0	\$0	\$0	\$0
<b>Individual Income Tax</b>				
Personal and dependent credit	\$0	(\$233,200)	(\$236,500)	(\$239,100)
Working family credit expansion	\$0	(\$52,100)	(\$50,300)	(\$51,300)
Angel investment credit (TY 18 only)	\$0	(\$10,000)	\$0	\$0
Subtraction for mortgage insurance premiums	\$0	(\$7,000)	(\$7,800)	(\$9,000)
Subtraction for tuition and fees	\$0	(\$2,600)	(\$2,600)	(\$2,700)
<b>Corporate Franchise Tax</b>				
Research credit: 16% base percentage	\$0	(\$900)	(\$900)	(\$900)
Preventing tax evasion	\$0	\$0	\$300	\$1,500
Apportionment sales factor to exclude derivatives	\$0	\$0	\$0	\$0
Mutual fund manager apportionment	\$0	\$6,300	\$9,000	\$12,500
Reduce dividend received deduction for debt-financed stock	\$0	\$100	\$100	\$100

	<b>Fund Impact</b>			
	<b><u>F.Y. 2018</u></b>	<b><u>F.Y. 2019</u></b>	<b><u>F.Y. 2020</u></b>	<b><u>F.Y. 2021</u></b>
	(000's)			
<b>Gross Premiums Tax</b>				
Insurance tax fairness:				
Nonadmitted insurance	\$0	\$0	\$400	\$400
<b>Estate Tax</b>				
Retain \$2.4 million exclusion	\$0	\$0	\$11,500	\$27,100
<b>Sales and Use Tax</b>				
Limit exemption for qualified data center software	\$0	\$6,600	\$35,800	\$32,200
<b>Cigarette and Tobacco Taxes</b>				
Vapor products				
Excise tax	\$0	\$1,000	\$2,400	\$2,500
Sales tax	\$0	(\$120)	(\$310)	(\$330)
Nicotine definition change	<u>\$0</u>	<u>Negl.</u>	<u>Negl.</u>	<u>Negl.</u>
Subtotal	\$0	\$880	\$2,090	\$2,170
Tax rate on premium cigars				
Excise tax	\$0	\$1,100	\$1,200	\$1,200
Sales tax	<u>\$0</u>	<u>(\$30)</u>	<u>(\$40)</u>	<u>(\$40)</u>
Subtotal	\$0	\$1,070	\$1,160	\$1,160
Cigarette indexing				
Cigarette excise tax	\$0	\$1,900	\$7,400	\$12,700
Cigarette in-lieu sales tax	\$0	(\$70)	(\$160)	(\$270)
Moist snuff excise tax	\$0	\$300	\$1,200	\$2,200
Sales tax – tobacco products	<u>\$0</u>	<u>\$10</u>	<u>\$60</u>	<u>\$100</u>
Subtotal	\$0	\$2,140	\$8,500	\$14,730
<b>General Fund Total</b>	<b>(\$40,330)</b>	<b>\$52,965</b>	<b>\$137,670</b>	<b>\$189,695</b>
<b>Natural Resources and Arts Funds</b>				
Limit exemption for qualified data center software	\$0	\$400	\$2,100	\$1,900
Sales tax on vapor products	\$0	(\$10)	(\$20)	(\$20)
Sales tax on premium cigars	\$0	(Negl.)	(Negl.)	(Negl.)
Sales tax on moist snuff (cigarette indexing)	\$0	Negl.	Negl.	\$10
<b>Natural Resources and Arts Funds Total</b>	<b>\$0</b>	<b>\$390</b>	<b>\$2,080</b>	<b>\$1,890</b>
<b>Total – All Funds</b>	<b>(\$40,330)</b>	<b>(\$53,355)</b>	<b>\$139,750</b>	<b>\$191,585</b>

## **EXPLANATION OF THE BILL**

A summary prepared by the Appeals and Legal Services Division of the Department of Revenue is attached.

## **REVENUE ANALYSIS DETAIL**

### **Federal Update**

#### *Disaster Tax Relief and Airport and Airway Extension Act*

- The estimate is based on the estimate for the federal legislation prepared by the staff of the Joint Committee on Taxation dated September 25, 2017.
- The federal estimates were apportioned to Minnesota and adjusted for differences in federal and state tax rates.
- The estimates were further adjusted to reflect the extent to which Minnesota taxpayers would likely be affected by the provision.

#### *Tax Cuts and Jobs Act*

- The House Income Tax Simulation Model (HITS 6.6a) was used to estimate individual provisions where possible. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2018. The model uses a stratified sample of 2015 individual income tax returns compiled by the Minnesota Department of Revenue.
- For other provisions, the estimates are based on the estimates of the federal impacts prepared by the staff of the Joint Committee on Taxation, dated December 18, 2017. The estimates for each provision were apportioned to Minnesota based on information relevant to that provision. The estimates were adjusted for the difference between federal and state tax rates and federal and state fiscal years.
- It is assumed that the Minnesota standard deduction, itemized deductions, and personal and dependent exemptions will have the same tax benefit as the provisions under prior federal law and will have no fiscal impact.
- Similarly, the adjustments for alimony expenses, moving expenses, 529 plan withdrawals, and bicycle benefits are expected to replace the repealed federal provisions and are assumed to have no fiscal impact.
- The new federal law will greatly reduce the number of taxpayers who itemize deductions. Under current law, taxpayers who take the standard deduction will have to add back the difference between the federal amount and the amount recognized under Minnesota law. Those taxpayers who switch to the standard deduction also will qualify for the charitable subtraction for non-itemizers, increasing the total amount of subtractions. Those effects are recognized in the February 2018 forecast. The bill will reverse those impacts, because taxpayers will be allowed to choose whether to itemize on the Minnesota return regardless of their federal election.
- For individual provisions, all of tax year 2018 is allocated to the following fiscal year. For most business- related provisions, one month of impact is allocated to fiscal year 2018, assuming that businesses would make changes to one estimated payment in the current fiscal year after enactment.

## **REVENUE ANALYSIS DETAIL (Cont.)**

### *Bipartisan Budget Act of 2018*

- The House Income Tax Simulation Model (HITS 6.6a) was used to estimate the home mortgage insurance premiums deduction. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2018. The model uses a stratified sample of 2015 individual income tax returns compiled by the Minnesota Department of Revenue.
- For other provisions, the estimates are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation, dated February 8, 2018.
- Where applicable, the estimates were divided between the individual income tax and corporate franchise tax. The estimates for each provision were apportioned to Minnesota based on information relevant to that provision. The estimates were adjusted for the difference between federal and state tax rates and federal and state fiscal years.

### *Consolidated Appropriations Act of 2018*

- The Act includes a provision related to the federal deduction for certain pass-through business income. The provision changes the treatment of agricultural cooperatives and patrons of cooperatives. Because the bill does not conform to the amended federal deduction, this provision will have no impact on Minnesota tax revenue.

## **Individual Income Tax**

### *Personal and dependent credit*

- The House Income Tax Simulation (HITS 6.6a) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2018. The model uses a stratified sample of 2015 individual income tax returns compiled by the Minnesota Department of Revenue.
- About 2,026,000 returns would receive an average credit of \$115 in tax year 2018.
- Tax year impacts are allocated to the following fiscal year.

### *Working family credit expansion*

- The House Income Tax Simulation (HITS 6.6a) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2018. The model uses a stratified sample of 2015 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts are allocated to the following fiscal year.
- About 329,100 tax returns would be affected in tax year 2018. The average reduction in tax would be about \$160. The number of returns eligible for the credit would increase by 78,000.
- The fiscal year 2019 impact includes the additional cost of allowing the credit beginning at age 21.

## **REVENUE ANALYSIS DETAIL (Cont.)**

### *Angel investment credit*

- It is assumed that the maximum credit of \$10 million in tax year 2018 would be allocated.
- Tax year impact is allocated to the following fiscal year.

### *Subtraction for mortgage insurance premiums*

- The subtraction was estimated using the House Income Tax Simulation Model (HITS 6.6a). These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2018. The model uses a stratified sample of 2015 individual income tax returns compiled by the Minnesota Department of Revenue. The estimates were based on the federal deduction, which is assumed to be equal to the proposed subtraction.

### *Subtraction for tuition and fees*

- The subtraction was estimated based on the estimates prepared by the Joint Committee on Taxation, dated February 8, 2018. The subtraction is assumed to grow at 2% annually.

## **Corporate Franchise Tax**

### *Research credit: 16% base percentage*

- Based on an analysis of returns filed in 2013, Minnesota R&D expenditures are estimated to average \$2.5 billion per year. It is assumed that newly eligible taxpayers account for 2% of those expenditures (\$50 million). It is assumed that 50% of the R&D expenditures of the newly eligible taxpayers would qualify for the credit.
- There are two tax credit percentages. The first-tier credit rate (10%) applies to creditable R&D up to \$2 million. The second-tier rate (2.5%) applies to creditable R&D greater than \$2 million. The average credit rate for newly eligible expenditures is estimated at 7%.
- Because the credit is nonrefundable, the revenue loss is reduced by 50%.

### *Preventing tax evasion*

- Revenue estimates are based on the magnitude of revenue gains associated with similar economic substance cases decided in Minnesota and other states.
- The estimate assumes most of the revenue gain will be delayed until corporate taxpayers are audited in fiscal years 2021 and 2022. The gain in fiscal year 2022 would be about \$2.5 million.

### *Apportionment sales factor to exclude derivatives*

- No revenue change is assumed under current practice and with the proposal because the same amount of income and loss would be apportioned to Minnesota.
- It is assumed that only a small portion of derivative contract transactions are used to purchase actual goods and services. On the contrary, it is assumed that most of the buying and selling of derivatives is focused on market speculation.
- Due to the back and forth turnover of derivative contracts, it is impossible to determine who is hedging against risk and who is speculating. In fact, it is possible for a taxpayer to take hedging and speculating positions at the same time.

## **REVENUE ANALYSIS DETAIL (Cont.)**

### *Mutual Fund Manager Consistent Apportionment*

- From an analysis of data prepared by the corporate division, mutual fund service providers who operate as a partnership control an estimated 16% of all assets under management by mutual funds.
- This proposal affects both out-of-state and mutual funds with a large Minnesota presence. The full impact of the proposal would take place over a period of three years. The revenue change would be delayed due to MFSPs that are currently not filing tax returns because their associated mutual fund is located outside Minnesota.

### *Reduce dividend received deduction from debt-financed stock*

- The reduction of the dividend received deduction affects only domestic dividends.
- Data published by the federal government shows less than 2% of domestic dividends are from debt-financed stock. The estimate apportions these dividends to Minnesota. The estimate assumes a 50% reduction in the dividend received deduction.

## **Gross Premiums Tax**

### *Insurance tax fairness: nonadmitted insurance*

- Comparable data from tax years 2012-2016 are used in this estimate. Data from tax years before 2012 was not used due to the change in the tax base required by the NRRA (The Nonadmitted and Reinsurance Act of 2010.)
- The estimate is the average of applying a 3% tax rate to the 2012-2016 nonadmitted direct purchase tax collections.
- Because payment of tax is due on March 1 after the end of the calendar year, the proposal would change collections beginning in fiscal year 2020.

## **Estate Tax**

### *Retain \$2.4 million exclusion*

- A database of estate tax returns filed in 2012 through 2014 was used for this analysis.
- The estate tax statutes were changed in 2013. The estate taxes for returns in the database were recalculated to reflect those 2013 changes because most of the returns were filed before the 2013 changes were in effect.
- The reduced amounts excluded from taxation and the tax rates were used to recalculate the estate taxes for the returns in the database.
- Comparing those calculations, the total estate tax for returns in the database increased by the following ratios:
  - 9.5% for 2019
  - 18.8% for 2020.

Those increase ratios were adjusted for the current proposal to keep the exclusion at \$2.4 million and applied to the estate tax estimates in the November 2017 estate tax forecast.

- Because the returns in the database reflect the estate tax before the 2014 law changes, appropriate adjustments to the calculation were made in order to apply the above adjusted increase factors.
- It is assumed that the estate tax is paid nine months after the death of the deceased.

## **REVENUE ANALYSIS DETAIL (Cont.)**

### **Sales and Use Tax**

#### *Limit exemption for qualified data center software*

- As of March 2018, there were about \$130 million of unprocessed qualified data center claims. None of these claims would be impacted by the proposal.
- It is assumed that \$50 million of the claims in the inventory will be processed in fiscal year 2019, and the remaining \$80 million will be processed in fiscal year 2020.
- The average amount for past claims is about \$1.5 million. It is assumed that this average will hold for future claims.
- It is estimated that approximately 50% of current software claims are software type 2. These items are exempt under current law, but would not be exempt under the proposal.
- There is a lag between qualifying sales and purchases being made and claims being filed. It is assumed that this lag will continue in the future.
- It is estimated that 50 claims will be processed in fiscal year 2020, and 45 claims will be processed in fiscal year 2021.

### **Cigarette and Tobacco Taxes**

#### *Vapor Products*

- The proposal is expected to primarily impact the tax collections for liquid nicotine solutions. The tax on manufactured vapor products would apply on the consumable nicotine solutions rather than on the non-consumable product.
- It is estimated that excise tax collections for vapor products were \$7.4 million for fiscal year 2017.
- Expected impacts of recent FDA deeming regulations on tobacco products, for future years, are uncertain and are not included in the estimates.
- The sales of liquid nicotine solutions are estimated to account for 50% of the Minnesota vapor market.
- An elasticity factor of -0.9 was applied and an annual growth rate of 5% is assumed.
- The fiscal year 2019 estimates are adjusted for five months of collections.
- One out-of-state company is known to be producing tobacco-free nicotine.
- The Special Taxes Division at the Department of Revenue reports that some Minnesota distributors have purchased recently available vapor products with tobacco-free nicotine. However, as of the February 2018 forecast, it is not known whether the products are available at retail in Minnesota or how quickly the market share of vapor products containing tobacco-free nicotine will develop.

#### *Premium Cigars*

- Estimates for the tax rate change are based on fiscal year 2017 and 2018 tax return information and the tobacco products excise tax February 2018 forecast.
- Under current law, most premium cigars are taxed at 50¢ per cigar maximum. For the proposal, it is estimated that about 40% of premium cigars would be subject to the rate of 95% of wholesale price and 60% of premium cigars would be taxed at the \$3.50 maximum.
- The fiscal year 2019 estimates are adjusted for eleven months of impact.
- There are 52 distributors of premium cigars in Minnesota.

## REVENUE ANALYSIS DETAIL (Cont.)

### *Cigarette Indexing*

- The estimates are based on the February 2018 forecast.
- It is assumed that the annual index adjustment would be calculated by multiplying the current mill rate by the annual change in the in-lieu cigarette sales tax rate.
- An annual price increase of 2% is assumed.
- The cigarette excise tax revenue gain for indexing cigarettes was estimated using an elasticity factor of -1.10. The moist snuff excise tax revenue gain was estimated using an elasticity factor of -0.60.
- It is estimated that there will be about 155.9 million packs of cigarettes and 23.2 million containers of moist snuff sold in fiscal year 2018.
- Under current law in fiscal year 2021, the packs of cigarettes sold is forecast to decrease to about 150.9 million packs of cigarettes and the containers of moist snuff are forecast to increase to about 24.6 million containers. Under the proposal in fiscal year 2021, it is estimated that the number of packs of cigarettes sold will be 148.2 million and the containers of moist snuff will be 24.2 million.
- The index provision has five months of impact in fiscal year 2019.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/  
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)



**H.F. 4385, As Proposed to be Amended (A18-0764)**  
**Governor's Tax Bill**  
(\$000s)

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Federal Update: Tax Cuts and Jobs Act</b>				
<b>Standard Deduction and Exemptions</b>				
Create state standard deduction equal to standard deduction under prior federal law (beginning TY 18)	\$0	\$0	\$0	\$0
Reverse forecast adjustments due to differences between state and federal standard deduction	\$0	(\$26,500)	(\$27,100)	(\$27,900)
Create state personal and dependent exemptions equal to exemptions under prior federal law (beginning TY 18)	\$0	\$0	\$0	\$0
<b>Subtotal: Standard Deduction and Exemptions</b>	<b>\$0</b>	<b>(\$26,500)</b>	<b>(\$27,100)</b>	<b>(\$27,900)</b>
<b>Education-Related Provisions</b>				
Allow exclusion of discharged student loan debt in case of death or disability (TY 18-25)	\$0	(Negl.)	(Negl.)	(Negl.)
Require addback for Section 529 plan withdrawals used for K-12 tuition (beginning TY 18)	\$0	\$0	\$0	\$0
<b>Subtotal: Education-Related Provisions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Federal Deductions</b>				
Create state itemized deductions equal to deductions under prior federal law; retain current MN phase-out thresholds (beginning TY18)	\$0	\$0	\$0	\$0
Subtraction for payer of alimony payments and addback for received alimony (for agreements beginning 2019)	\$0	\$0	\$0	\$0
Subtraction for qualified moving expenses, including amounts reimbursed by employer (TY18-25)	\$0	\$0	\$0	\$0
<b>Subtotal: Federal Deductions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Federal Exclusions</b>				
Subtraction for certain employer-provided bicycle commuter fringe benefits (TY18-25)	\$0	\$0	\$0	\$0
<b>Subtotal: Federal Exclusions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Retirement, Savings, and Pensions</b>				
Allow increased contributions to Able accounts (TY18-25)	\$0	(Negl.)	(Negl.)	(Negl.)
Extend rollover period for certain retirement plan loan offsets (beginning TY18)	\$0	(Negl.)	(Negl.)	(Negl.)
Allow subtraction for recharacterized IRA contributions (beginning TY18)	\$0	\$0	\$0	\$0
<b>Subtotal: Retirement, Savings, and Pensions</b>	<b>\$0</b>	<b>(Negl.)</b>	<b>(Negl.)</b>	<b>(Negl.)</b>

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Bonus Depreciation and Section 179 Expensing</b>				
Bonus depreciation of 100%, with 80% addback and 5-year recovery; phased out beginning in TY 2023 (TY18-26)				
Individual Income Tax	(\$600)	\$1,000	\$8,700	\$10,700
Corporate Franchise Tax	<u>(\$1,300)</u>	<u>\$2,100</u>	<u>\$18,300</u>	<u>\$22,600</u>
	(\$1,900)	\$3,100	\$27,000	\$33,300
Section 179 expensing: Full conformity to federal limits (beginning TY18)				
Individual Income Tax	(\$19,800)	(\$61,800)	(\$48,600)	(\$36,600)
Corporate Franchise Tax	<u>(\$7,500)</u>	<u>(\$23,400)</u>	<u>(\$18,400)</u>	<u>(\$13,900)</u>
	(\$27,300)	(\$85,200)	(\$67,000)	(\$50,500)
<b>Bonus Depreciation and Section 179 Expensing</b>				
<b>Individual Income Tax</b>	<b>(\$20,400)</b>	<b>(\$60,800)</b>	<b>(\$39,900)</b>	<b>(\$25,900)</b>
<b>Corporate Franchise Tax</b>	<b><u>(\$8,800)</u></b>	<b><u>(\$21,300)</u></b>	<b><u>(\$100)</u></b>	<b><u>\$8,700</u></b>
<b>Subtotal</b>	<b>(\$29,200)</b>	<b>(\$82,100)</b>	<b>(\$40,000)</b>	<b>(\$17,200)</b>
<b>Other Business and Investment Provisions</b>				
Require addback for certain pass-through income eligible for a federal deduction (beginning TY 18)				
Individual Income Tax	\$0	\$0	\$0	\$0
Disallow pass-through losses over \$500,000 married joint, \$250,000 for other filers (TY18-25)				
Individual Income Tax	\$0	\$58,000	\$52,200	\$46,300
Tax gain on the sale of partnership on a look-through basis (beginning TY18)				
Individual Income Tax	\$0	\$1,100	\$1,800	\$1,900
Expand the definition of built-in loss for purposes of partnership loss transfers (beginning TY18)				
Individual Income Tax	\$0	\$400	\$300	\$300
Charitable contributions and foreign taxes taken into account in determining limit on partner's share of loss (beginning TY18)				
Individual Income Tax	\$0	\$700	\$700	\$800
Charitable deduction not allowed for amounts paid for college athletic event seating rights (beginning TY18)				
Individual Income Tax	\$100	\$1,900	\$1,200	\$1,200
Repeal rollover of publicly traded securities gain into specialized small business investment companies (beginning TY18)				
Individual Income Tax	\$0	\$300	\$300	\$300
Corporate Franchise Tax	\$0	\$700	\$600	\$600
Small business accounting method reform and simplification (beginning TY18)				
Individual Income Tax	(\$4,300)	(\$62,700)	(\$22,000)	(\$12,200)
Corporate Franchise Tax	(\$500)	(\$6,900)	(\$2,400)	(\$1,300)

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Other Business and Investment Provisions (Cont.)</b>				
Limit net interest deduction to 30% of income, with carryforward (beginning TY18)				
Individual Income Tax	\$4,400	\$97,700	\$90,500	\$92,500
Corporate Franchise Tax	\$700	\$16,600	\$15,400	\$15,700
Modification of net operating loss deduction (beginning TY18)				
Individual Income Tax	\$2,100	\$38,800	\$31,900	\$43,300
Repeal deferred gain on like-kind exchanges, except for real property (beginning TY18)				
Individual Income Tax	\$100	\$2,300	\$2,500	\$3,300
Corporate Franchise Tax	\$100	\$2,900	\$3,100	\$4,200
Reduce recovery period for certain real property (beginning TY18)				
Individual Income Tax	\$0	(\$200)	(\$400)	(\$600)
Corporate Franchise Tax	\$0	(\$500)	(\$800)	(\$1,100)
Repeal deduction for local lobbying expenses (DOE)				
Individual Income Tax	\$0	\$200	\$100	\$100
Corporate Franchise Tax	\$0	\$400	\$300	\$300
Limit deduction for employer-provided meals and entertainment expenses (beginning TY18)				
Individual Income Tax	\$200	\$3,600	\$2,600	\$2,700
Corporate Franchise Tax	\$600	\$9,800	\$7,000	\$7,300
Limit deduction for certain employer-provided transportation benefits (beginning TY18)				
Individual Income Tax	\$200	\$2,700	\$2,000	\$2,000
Corporate Franchise Tax	\$400	\$7,300	\$5,400	\$5,600
Prohibit deduction for achievement awards of cash, gift cards and other nontangible personal property (beginning TY18)				
Individual Income Tax	Negl.	Negl.	Negl.	Negl.
Corporate Franchise Tax	Negl.	Negl.	Negl.	Negl.
Limit deduction for FDIC Premiums (beginning TY18)				
Individual Income Tax	\$100	\$1,900	\$1,800	\$1,800
Corporate Franchise Tax	\$200	\$5,000	\$4,900	\$4,900
Deny deduction for sexual harassment settlements paid subject to a nondisclosure agreement (DOE)				
Individual Income Tax	Negl.	Negl.	Negl.	Negl.
Corporate Franchise Tax	Negl.	Negl.	Negl.	Negl.
Revise treatment of contributions to capital (DOE)				
Individual Income Tax	\$0	\$300	\$400	\$700
Corporate Franchise Tax	\$0	\$800	\$1,100	\$2,000
Modify historic rehabilitation credit to provide 20% credit spread over 5 years (beginning TY18)				
Corporate Franchise Tax	\$0	\$14,900	\$25,000	\$12,700

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Other Business and Investment Provisions (Cont.)</b>				
Modify treatment of interest for producers of beer, wine, and distilled spirits (TY18 & 19)				
Individual Income Tax	(\$100)	(\$1,500)	(\$900)	\$0
Corporate Franchise Tax	(\$100)	(\$1,900)	(\$1,100)	\$0
Modify limit on excessive compensation (beginning TY18)				
Individual Income Tax	\$0	\$500	\$600	\$600
Corporate Franchise Tax	\$0	\$2,800	\$3,600	\$3,600
<b>All Other Business and Investment Provisions</b>				
<b>Individual Income Tax</b>	\$2,800	\$146,000	\$165,600	\$185,000
<b>Corporate Franchise Tax</b>	\$1,400	\$51,900	\$62,100	\$54,500
<b>Subtotal</b>	<b>\$4,200</b>	<b>\$197,900</b>	<b>\$227,700</b>	<b>\$239,500</b>
<b>Unrelated Business Income</b>				
Allow charitable organizations to aggregate losses for all unrelated business activities without regard to limitation under TCJA (beginning TY18)				
Unrelated Business Income Tax	\$0	\$0	\$0	\$0
<b>Subtotal: Unrelated Business Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Bond Interest</b>				
Repeal exclusion of interest on advance refunding bonds (beginning TY18)				
Individual Income Tax	\$100	\$3,500	\$3,900	\$4,800
Corporate Franchise Tax	\$100	\$1,800	\$2,100	\$2,500
<b>Subtotal: Bond Interest</b>	<b>\$200</b>	<b>\$5,300</b>	<b>\$6,000</b>	<b>\$7,300</b>
<b>International Business Income</b>				
Deemed repatriation of certain deferred foreign income (beginning TY18)				
Corporate Franchise Tax	\$10,800	\$162,000	\$103,500	\$107,100
Inclusion of global intangible low-taxed income (GILTI), with deduction (beginning TY18)				
Individual Income Tax	\$0	\$6,600	\$6,600	\$6,100
Corporate Franchise Tax	\$0	\$62,000	\$62,400	\$57,600
Inclusion of foreign-derived intangible income (FDII) derived from domestic trade or business, with deduction (beginning TY18)				
Individual Income Tax	\$0	\$2,000	\$3,800	\$3,900
Corporate Franchise Tax	\$0	\$12,300	\$23,000	\$24,000
Other modifications to Subpart F provisions				
Corporate Franchise Tax	Negl.	Negl.	Negl.	Negl.
<b>International Business Income</b>				
<b>Individual Income Tax</b>	<b>\$0</b>	<b>\$8,600</b>	<b>\$10,400</b>	<b>\$10,000</b>
<b>Corporate Franchise Tax</b>	<b>\$10,800</b>	<b>\$236,300</b>	<b>\$188,900</b>	<b>\$188,700</b>
<b>Subtotal</b>	<b>\$10,800</b>	<b>\$244,900</b>	<b>\$199,300</b>	<b>\$198,700</b>

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Tax Cuts and Jobs Act: All Provisions</b>				
<b>Individual Income Tax</b>	(\$17,500)	\$70,800	\$112,900	\$146,000
<b>Unrelated Business Income Tax</b>	\$0	\$0	\$0	\$0
<b>Corporate Franchise Tax</b>	\$3,500	\$268,700	\$253,000	\$254,400
<b>General Fund Total</b>	(\$14,000)	\$339,500	\$365,900	\$400,400
<b>Other Federal Update Items</b>				
Disaster Tax Relief Act of 2017				
Individual Income Tax	(\$5,140)	\$1,790	\$610	\$310
Corporate Franchise Tax	(\$400)	\$200	\$100	\$0
<b>Subtotal: Disaster Tax Relief Act</b>	(\$5,540)	\$1,990	\$710	\$310
Bipartisan Budget Act of 2018				
Individual Income Tax	(\$18,480)	(\$225)	(\$50)	(\$145)
Corporate Franchise Tax	(\$2,310)	\$410	\$360	\$270
<b>Subtotal: Bipartisan Budget Act</b>	(\$20,790)	\$185	\$310	\$125
<b>Other Provisions</b>				
<b>Income Tax</b>				
Nonrefundable \$60 personal and dependent credit phased out from \$90,000 - \$140,000; \$180,000 - \$280,000 for married joint (beginning TY18)	\$0	(\$233,200)	(\$236,500)	(\$239,100)
Working family credit expansion; increased credit for taxpayers with 3 or more children (beginning TY 18)	\$0	(\$52,100)	(\$50,300)	(\$51,300)
Angel investment credit: Total maximum credits of \$10 million (TY18 only)	\$0	(\$10,000)	\$0	\$0
Subtraction for mortgage insurance premiums, for itemizers only (beginning TY 18)	\$0	(\$7,000)	(\$7,800)	(\$9,000)
Subtraction for tuition and fees (beginning TY 18)	\$0	(\$2,600)	(\$2,600)	(\$2,700)
<b>Subtotal: Income Tax</b>	\$0	(\$304,900)	(\$297,200)	(\$302,100)
<b>Corporate Franchise Tax</b>				
Research credit: accept 16% base period percentage (beginning TY 18)	\$0	(\$900)	(\$900)	(\$900)
Preventing tax evasion (beginning TY 18)	\$0	\$0	\$300	\$1,500
Apportionment sales factor to exclude derivatives (beginning TY 18)	\$0	\$0	\$0	\$0
Mutual fund manager consistent apportionment (beginning TY 18)	\$0	\$6,300	\$9,000	\$12,500
Reduce dividend received deduction for debt-financed stock (beginning TY 18)	\$0	\$100	\$100	\$100
<b>Subtotal: Corporate Franchise Tax</b>	\$0	\$5,500	\$8,500	\$13,200
<b>Gross Premiums Tax</b>				
Insurance tax fairness: nonadmitted insurance (beginning TY 18)	\$0	\$0	\$400	\$400
<b>Subtotal: Gross Premiums Tax</b>	\$0	\$0	\$400	\$400

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Estate Tax</b>				
Retain \$2.4 million exclusion (1/1/19)	\$0	\$0	\$11,500	\$27,100
<b>Subtotal: Estate Tax</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,500</b>	<b>\$27,100</b>
<b>Sales and Use Tax</b>				
Limit exemption for qualified data center software (7/1/18)	\$0	\$6,600	\$35,800	\$32,200
<b>Subtotal: Sales and Use Tax</b>	<b>\$0</b>	<b>\$6,600</b>	<b>\$35,800</b>	<b>\$32,200</b>
<b>Cigarette and Tobacco Taxes</b>				
<b>Vapor products (TY 19)</b>				
Excise tax	\$0	\$1,000	\$2,400	\$2,500
Sales tax	\$0	(\$120)	(\$310)	(\$330)
Nicotine definition change	\$0	Negl.	Negl.	Negl.
<b>Subtotal: Vapor products</b>	<b>\$0</b>	<b>\$880</b>	<b>\$2,090</b>	<b>\$2,170</b>
<b>Tax rate on premium cigars (7/1/18)</b>				
Excise tax	\$0	\$1,100	\$1,200	\$1,200
Sales tax	\$0	(\$30)	(\$40)	(\$40)
<b>Subtotal: Premium cigars</b>	<b>\$0</b>	<b>\$1,070</b>	<b>\$1,160</b>	<b>\$1,160</b>
<b>Cigarette tax indexing (1/1/19)</b>				
Cigarette excise tax	\$0	\$1,900	\$7,400	\$12,700
Cigarette in-lieu sales tax	\$0	(\$70)	(\$160)	(\$270)
Moist snuff excise tax	\$0	\$300	\$1,200	\$2,200
Sales tax -- Tobacco products	\$0	\$10	\$60	\$100
<b>Subtotal: Cigarette tax indexing</b>	<b>\$0</b>	<b>\$2,140</b>	<b>\$8,500</b>	<b>\$14,730</b>
<b>Subtotal: Cigarette and Tobacco Taxes</b>	<b>\$0</b>	<b>\$4,090</b>	<b>\$11,750</b>	<b>\$18,060</b>
<b>General Fund -- All Provisions</b>	<b>(\$40,330)</b>	<b>\$52,965</b>	<b>\$137,670</b>	<b>\$189,695</b>
<b>Natural Resources and Arts Funds</b>				
Limit exemption for qualified data center software	\$0	\$400	\$2,100	\$1,900
Sales tax on vapor products	\$0	(\$10)	(\$20)	(\$20)
Sales tax on premium cigars	\$0	(Negl.)	(Negl.)	(Negl.)
Sales tax on moist snuff (cigarette indexing)	\$0	Negl.	Negl.	\$10
<b>Natural Resources and Arts Funds Total</b>	<b>\$0</b>	<b>\$390</b>	<b>\$2,080</b>	<b>\$1,890</b>
<b>Total -- All Funds</b>	<b>(\$40,330)</b>	<b>\$53,355</b>	<b>\$139,750</b>	<b>\$191,585</b>