

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Charitable contributions subtraction

March 7, 2005

	Yes	No
Separate Official Fiscal Note Requested	X	
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of H.F. 1254 (Abrams)/ S.F. 1175 (Moua)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	(\$8,300)	(\$8,800)	(\$9,500)	(\$10,300)

Effective beginning with tax year 2005

### EXPLANATION OF THE BILL

**Current Law:** Taxpayers who do not itemize deductions may reduce taxable income by 50% of charitable contributions in excess of \$500. Taxpayers subject to the alternative minimum tax may deduct itemized charitable contributions in excess of 1% of adjusted gross income to arrive at Minnesota alternative minimum taxable income.

**Proposed Law:** The bill allows 100% of charitable contributions in excess of \$500 to be deducted from taxable income for nonitemizers. It allows all itemized charitable contributions to be deducted in determining Minnesota alternative minimum taxable income.

### REVENUE ANALYSIS DETAIL

- Simulation results are obtained using the House Income Tax Simulation (HITS 5.3) model. The simulations assume: (1) the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2005 and (2) individual income tax situations contained in a database of returns compiled for tax year 2002 by the Minnesota Department of Revenue. The HITS model extrapolates these data for the applicable tax years according to the economic assumptions of the Department of Finance.
- The tax year impact is allocated to the following fiscal year.

**Number of Taxpayers:** About 196,000 taxpayers in 2005 would be affected.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)