

February 19, 2019

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1154 (Xiong, T.)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
General Fund	(Negl.)	(Negl.)	(Negl.)	(Negl.)

Effective retroactively beginning with tax year 2018.

EXPLANATION OF THE BILL

Current Law: The federal Tax Cuts and Jobs Act does not allow employers to deduct expenses for certain transportation-related fringe benefits, including van pools, qualified parking, and transit passes. Nonprofit organizations who provide any such transportation benefits must include the amount of the benefits in their unrelated business taxable income (UBTI).

Proposed Law: The bill exempts any transportation fringe benefits included in UBTI from the unrelated business tax.

REVENUE ANALYSIS DETAIL

- Under current law, transportation benefits are not included in UBTI.
- If Minnesota adopted the federal law changes in the TCJA, those benefits would have to be added to UBTI.
- The fiscal impact of disallowing deductions for transportation benefits for all employers is about \$8 million per year, based on estimates for the federal legislation by the staff of the Joint Committee on Taxation. The portion of that borne by nonprofit organizations is unknown but assumed to be negligible.

Number of Taxpayers: Unknown.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx