

March 4, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	<b>Unknown</b>	

Department of Revenue  
Analysis of H.F. 1453 (Marquart), As Proposed to be Amended (H1453A4)

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

Effective for adjustments beginning with taxable years beginning after December 31, 2019, and for refunds payable beginning in 2020.

**EXPLANATION OF THE BILL**

**Current Law:** The Cost of Living (COLA) Adjustments for various income amounts, tax brackets, refunds, and credits are based on the Consumer Price Index for All Urban Consumers (CPI-U) published by the United States Department of Labor, Bureau of Labor Statistics (BLS). For Minnesota COLA purposes, Minnesota references federal COLA statutes and modifies them as needed.

**Proposed Law:** The proposal, in its current form is incomplete. It leaves open the possibility of doing one of two things:

- Modify the way in which Minnesota does COLA adjustments by basing the adjustments on the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) published by the BLS instead of the CPI-U.
- Leave unchanged the way in which Minnesota does COLA adjustments by continuing to base the adjustments on the CPI-U.

Instead of referencing federal statutes as is done under current law, the proposal references a new section in Minnesota Statutes which defines COLA adjustments for Minnesota purposes.

The various income amounts, tax brackets, refunds, and credits currently referenced in statute are for various base years. The proposal does not explicitly update those numbers, but Section 16 of the proposal instructs the Commissioner of Revenue to rebase those numbers for 2019 and provide the numbers to the Revisor of Statutes who shall publish the updated numbers in the 2019 Supplement of Minnesota Statutes. These amounts would be indexed beginning in 2020, using either the CPI-U or the C-CPU-U.

## REVENUE ANALYSIS DETAIL

- If Minnesota keeps the CPI-U as the basis for its COLA adjustments, the proposal would have no impact on state revenue.
- Since the C-CPI-U increases more slowly than the CPI-U, COLA adjustments would grow more slowly if Minnesota adopts the C-CPI-U as the basis for its COLA adjustments. For some of the provisions affected by COLA adjustments, the impact on state revenue would be positive. For other provisions, the impact on state revenue would be negative. The net effect is currently undetermined.

**Number of Taxpayers:** Millions of Minnesota taxpayers could be affected by this proposal.

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)