

April 10, 2019

*State Taxes Only –
See Separate Analysis for Property Tax Provisions
Revised to Include All Budget Revisions*

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2411 (Rest), As Proposed to be Amended

	Fund Impact				
	<u>F.Y. 2019</u>	<u>F.Y. 2020</u>	<u>F.Y. 2021</u> (000's)	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
Federal Update					
Disaster Tax Relief Act (9/29/17)					
Individual Income Tax	\$0	(\$2,740)	\$310	\$200	\$100
Corporate Franchise Tax	<u>\$0</u>	<u>(\$100)</u>	<u>\$40</u>	<u>\$30</u>	<u>\$10</u>
Subtotal	\$0	(\$2,840)	\$350	\$230	\$110
Tax Cuts and Jobs Act (12/22/17) with Modifications					
Individual Income Tax	\$12,030	\$133,610	\$165,520	\$215,570	\$278,720
Unrelated Business Income Tax	\$200	\$2,900	\$2,200	\$2,700	\$2,900
Corporate Franchise Tax	<u>\$19,500</u>	<u>\$457,140</u>	<u>\$203,100</u>	<u>\$200,800</u>	<u>\$168,300</u>
Subtotal	\$31,730	\$593,650	\$370,820	\$419,070	\$449,920
Bipartisan Budget Act (2/9/18)					
Individual Income Tax	\$0	(\$18,455)	(\$145)	(\$225)	(\$290)
Corporate Franchise Tax	<u>\$0</u>	<u>(\$1,440)</u>	<u>\$270</u>	<u>\$245</u>	<u>\$190</u>
Subtotal	\$0	(\$19,895)	\$125	\$20	(\$100)
Individual Income Tax					
Working Family Credit Expansion for 3 or more Children					
	\$0	(\$10,100)	(\$10,300)	(\$10,400)	(\$10,700)
Working Family Credit \$100/\$200					
	\$0	(\$40,800)	(\$41,000)	(\$41,200)	(\$41,500)
Social Security Subtraction Increase					
	\$0	(\$11,000)	(\$11,900)	(\$12,700)	(\$13,500)
Section 529 Plan Credit Phase-out					
	\$0	\$0	(Negl.)	(Negl.)	(\$5)
Angel Investment Credit					
	\$0	(\$10,000)	(\$10,000)	\$0	\$0
Corporate Franchise Tax					
Repeal Alternative Minimum Tax					
	\$0	(\$41,400)	(\$15,900)	(\$15,100)	(\$14,800)
80% NOL Limitation					
	\$0	\$49,500	\$21,500	\$21,500	\$21,500
Apportionment Sales Factor to					
Exclude Derivatives	\$0	\$0	\$0	\$0	\$0
Limit DRD from Debt-Financed Stock					
	\$0	\$130	\$100	\$100	\$100
Economic Substance Requirements					
	\$0	\$0	\$300	\$1,500	\$2,500
Mutual Fund Manager Consistent					
Apportionment	\$0	\$6,300	\$9,000	\$12,500	\$12,500

	Fund Impact				
	<u>F.Y. 2019</u>	<u>F.Y. 2020</u>	<u>F.Y. 2021</u> (000's)	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
Estate Tax					
Retain \$2.7 Million Exclusion	\$0	\$0	\$9,900	\$13,700	\$14,500
Deed Tax					
Increase Minimum Deed Tax Threshold to \$3,000	\$0	(Negl.)	(\$5)	(\$5)	(\$10)
Sales and Use Tax					
Marketplace Provider Collection	\$0	\$370	\$570	\$580	\$590
Data Centers Software Exemption Limitation	\$0	\$3,700	\$16,600	\$22,700	\$27,200
Construction Materials Exemptions	\$0	(\$26,900)	(\$31,000)	(\$7,600)	\$0
Property Tax Refund Interaction	\$0	\$0	\$490	\$570	\$140
Income Tax Interaction	\$0	\$0	\$390	\$450	\$110
Cigarette and Tobacco Taxes					
Cigarette Tax Indexing					
Cigarette Excise Tax	\$0	\$1,900	\$7,300	\$12,600	\$17,700
Cigarette in-lieu Sales Tax	\$0	(\$70)	(\$140)	(\$240)	(\$360)
Moist Snuff Excise Tax	\$0	\$300	\$1,300	\$2,400	\$3,500
Sales Tax – Tobacco Products	\$0	\$20	\$60	\$110	\$160
Subtotal	\$0	\$2,150	\$8,520	\$14,870	\$21,000
Tax Rate on Premium Cigars					
Excise tax	\$0	\$940	\$1,100	\$1,100	\$1,100
Sales tax	\$0	(\$270)	(\$300)	(\$300)	(\$300)
Subtotal	\$0	\$670	\$800	\$800	\$800
DOR Appropriation	\$0	(\$4,217)	(\$1,853)	(\$1,450)	(\$1,450)
General Fund Total	\$31,730	\$489,318	\$317,507	\$420,135	\$468,905
Natural Resources and Arts Funds Total					
Marketplace Provider Collections	\$0	\$20	\$30	\$30	\$30
Data Centers Software Exemption	\$0	\$200	\$1,000	\$1,300	\$1,600
Construction Materials Exemptions	\$0	(\$1,500)	(\$1,800)	(\$400)	\$0
Sales Tax on Moist Snuff	\$0	Negl.	Negl.	\$10	\$10
Sales Tax on Premium Cigars	\$0	(\$20)	(\$20)	(\$20)	(\$20)
Natural Resources and Arts Funds Total	\$0	(\$1,300)	(\$790)	\$920	\$1,620
Total – All Funds	\$31,730	\$488,018	\$316,717	\$421,055	\$470,525

EXPLANATION OF THE BILL

See summary prepared by the Appeals and Legal Services Division of the Department of Revenue, dated April 9, 2019.

REVENUE ANALYSIS DETAIL

Federal Update

Disaster Tax Relief and Airport and Airway Extension Act

- This 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.
- Because of the retroactive effective date, tax year 2017 returns would have to be amended or adjusted. Those impacts were allocated to fiscal year 2020.

Tax Cuts and Jobs Act

- The House Income Tax Simulation Model (HITS 6.7) was used to estimate the impact of switching to adjusted gross income as the starting point for calculating Minnesota taxable income. 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 2016 individual income tax returns compiled by the Minnesota Department of Revenue.
- For most 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 fiscal years.
- The estimate for global intangible income assumes that the income would not qualify for the dividend received deduction.
- The estimate for foreign derived intangible income (FDII) was based on the JCT's *Estimates of Federal Tax Expenditure for Fiscal Years 2018-2022*, dated October 4, 2018.
- The estimate for deemed repatriation of deferred foreign income was adjusted downward based on stronger than expected corporate franchise tax collections in the February 2019 forecast. It is assumed that a portion of those unexpected payments reflect repatriated income. Since that income is included in the February forecast, the estimate for conforming to the provision was reduced by a corresponding amount. The fiscal impact was spread over eight years.
- For individual provisions, all of tax year 2019 is allocated to the following fiscal year. For most business- related provisions, one month of impact is allocated to fiscal year 2019, assuming that businesses would make changes to one estimated payment in the current fiscal year after enactment.

Bipartisan Budget Act of 2018

- The House Income Tax Simulation Model (HITS 6.7) was used to estimate the home mortgage insurance premiums deduction.

Bipartisan Budget Act of 2018 (Cont.)

- 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 are divided between the individual income tax and corporate franchise tax. The estimates for each provision are apportioned to Minnesota based on information relevant to that provision. The estimates are adjusted for the difference between federal and state tax rates and federal and state fiscal years.
- Retroactive impacts are allocated to fiscal year 2020.

Individual Income Tax

Working Family Credit—Taxpayers with 3 or More Children

- The House Income Tax Simulation (HITS 6.7) Model was used to estimate the tax year revenue impact.
- Tax year impacts are allocated to the following fiscal year.
- About 44,800 tax returns would be affected in tax year 2019. The average reduction in tax would be about \$226. The number of returns eligible for the credit would increase by about 2,300.

Working Family Credit—Additional \$100 (\$200 Married Joint)

- The House Income Tax Simulation (HITS 6.7) Model was used to estimate the tax year impact.
- Tax year impacts are allocated to the following fiscal year.
- About 344,600 tax returns would be affected in tax year 2019, including 63,300 married joint returns.

Social Security Subtraction Increase

- The House Income Tax Simulation (HITS 6.7) Model was used to estimate the revenue impact.
- About 200,400 returns would be affected in tax year 2019. The average reduction in tax would be about \$55. No taxpayers would pay more tax under the proposal.
- Tax year impacts are allocated to the following fiscal year.

Section 529 Plan Credit Phase-Out

- The estimate is based on all income tax returns filed in Minnesota for tax year 2016.
- In tax year 2018 married joint filers with federal adjusted gross income between \$101,600 and \$101,900 would be eligible for a credit less than \$250, with an average eligible credit of \$247, impacting about 80 married joint filers claiming the credit.
- The income range of married joint filers eligible for a credit less than \$250 grows over the years and the average eligible credit for filers in the phase-out range reduces due to threshold indexing.
- The number of married joint filers was assumed to grow at 1.5% annually, based on projected growth in Minnesota College Savings Plan contributions.
- Tax year impact was allocated to the following fiscal year.

Angel Investment Credit

- It is assumed that the maximum of \$10 million in credits would be allocated for both tax years 2020 and 2021.
- Tax year impacts are allocated to the following fiscal year.
- For tax year 2021 and beyond, there would be no allocations.

Corporate Franchise Tax

Repeal Corporate AMT

- The estimate is based on an analysis of AMT and AMT credit amounts reported during tax years 2009-2016.
- The projection of the lost AMT revenue assumes AMT revenue of slightly more than 1% of current revenue projected during fiscal years 2020-2023, based on historic trends during tax years 2009-2016.
- The amount of projected corporate tax revenue is based on the February 2019 forecast prepared by MMB.
- Due to a retroactive effective date, all of the tax year 2018 and 2019 revenue loss is allocated to FY 2020. Tax year revenue losses from other tax years are allocated 30/70 to fiscal years.
- The estimate assumes an accelerated use of the AMT credit as compared to current law. The bulk of the impact from this effect happens in fiscal year 2020. Overall, the accelerated and increased use the AMT credit increases the total revenue loss by about 15% through the forecast period.

80% NOL Limitation

- The estimate is based on the change in taxable income when NOLs are limited to 80% of income, using data from 2015 to 2017.
- Even with the 80% limitation on NOL deductions, about 5% of taxpayers have dividend received deductions large enough to cancel out the effect of reducing their NOL deduction. These larger dividend received deductions reduce the revenue gain from the proposal. The revenue gain is adjusted to reflect this effect.
- Due to a retroactive effective date, all of the tax year 2018 and 2019 revenue gain is allocated to fiscal year 2020. Revenue loss from other tax years are allocated 30/70 to fiscal years.

Apportionment Sales Factor to Exclude Derivatives

- No revenue change is assumed under the bill because it reflects current practice, and 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, and that most of the buying and selling of derivatives is focused on market speculation.

Limit 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.
- Thirty percent of tax year 2019 revenue gain is allocated to fiscal year 2020. Other tax years were allocated 30/70 to fiscal years.

Economic Substance Requirements

- The bill establishes the common law doctrine of economic substance in Minnesota law, using the same language as in a March 2010 federal law change.
- It is assumed that the federal law change has altered how taxpayers report items of income, deductions, and credits controlled by federal law. However, items of income, deductions, and credits controlled by state law are not covered by the federal law change. Under the bill, a tax reduction under state law could be denied if a transaction creating the tax reduction lacks economic substance.
- 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 2022 and 2023.
- This estimate is limited to the increased tax liability that would be assessed under the bill and does not include any associated penalties.

Mutual Fund Manager Consistent Apportionment

- The bill changes the apportionment of income for mutual fund service providers (MFSPs) not organized as C corporations. Income of an MFSP, regardless of the type of entity, would be apportioned to Minnesota based the portion of the mutual fund's assets owned by Minnesota residents.
- From an analysis of data prepared by the corporate division, MFSPs who operate as a partnership control an estimated 20% of all assets under management by mutual funds.
- The bill 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 impact would be delayed due to MFSPs that are currently not filing tax returns because their associated mutual fund is located outside Minnesota.

Estate Tax

Retain \$2.7 Million Exclusion

- A database of estate tax returns filed in 2012 through 2017 was used for this analysis.
- The returns in the database were filed under statutory provisions that were different than current law. Therefore the estate tax amounts for returns in the database were recalculated to be consistent with current law.
- The proposed amount excluded from taxation and the current 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 8.8% for CY 2020 and later. That increase ratio was applied to the estate tax estimates in the November 2018 estate tax forecast.
- It is assumed that the estate tax is paid nine months after the death of the deceased.

Deed Tax

Increase Minimum Deed Tax Threshold to \$3,000

- Information provided to the Department of Revenue indicated that from 2015 to 2017, there were about 800 transfers per year where the purchase amount was between \$500 and \$3,000. Average affected sales totaled \$1,574,333 per year.
- Average actual deed tax collections for FY 2015, FY 2016, and FY 2017 were \$109,663,333.

Increase Minimum Deed Tax Threshold to \$3,000 (Cont.)

- A ratio of $\$1,574,333 / \$109,663,333 = 1.44\%$ was calculated.
- The above ratio was applied to the estimated deed tax collection for FY 2020 through FY 2023 to arrive at the total estimated sales where the transferred value is between \$500 and \$3,000.
- The tax was calculated based on the rate of 0.0033.
- A total minimum tax based on a tax of \$1.65 per individual sale was subtracted.
- The state portion of 97% was calculated.
- The February 2018 forecast for the deed tax was used for the estimate.
- The FY 2020 total was reduced by 50% because the proposed effective date is half-way through FY 2020.

Sales and Use Tax

Marketplace Provider Collections

- The change to the \$10,000 marketplace provider collection threshold and the change to the \$100,000 for small sellers would have fiscal impacts.
- It is estimated that less than 1% of firms in the online retail sector, selling exclusively through a marketplace provider, would have sales of less than \$10,000 in Minnesota.
- Based on U.S. Census data of sales by establishments in the online retail sector, it is estimated that changes to the \$100,000 total for small sellers would impact \$1 million of sales in 2012.
- Growth rates from IHS Markit are applied.
- The fiscal year 2020 estimates are adjusted for eight months of collections.

Data Centers Software Exemption Limitation

- The estimates are based on Department of Revenue refund claims for qualified data centers.
- It is estimated that 45% of qualified data center claims for refund are attributable to software. The remaining 55% are estimated to be for equipment and hardware.
- Approximately 85% of total refund claims are for entities whose first qualifying purchase is more than 5 years prior to June 30, 2019. It is assumed that 80% of claims for fiscal years 2020 and 2021, 85% of claims for fiscal year 2022, and 90% of claims for fiscal year 2023 are attributable to entities whose 5-year software exemption will have elapsed.
- Based on information on the average time between qualifying purchases and the payment of the refund, it is estimated that sales and purchases made after fiscal year 2019 will represent 10% of refund requests filed in fiscal year 2020, 50% of refunds in fiscal year 2021, 75% of refunds in fiscal year 2022, and 100% of refunds in fiscal year 2023.
- The estimates assume an effective date of June 30, 2019.

Construction Materials Exemption

- The estimates are based on the U.S. Census publication *Value of Construction Put in Place*. The applicable Census reports are for state and local government construction and private construction. National figures for 2016 and 2017 were averaged for a state fiscal year 2017 estimating base.
- The national figures were apportioned to Minnesota at 1.97%, the state's share of state and local government construction according to the 2016 *Annual Survey of State and Local Governments*. The local government portion, including school districts, was estimated.

Construction Materials Exemption (Cont.)

- The portion of construction materials purchased exempt by contractors using a purchasing agent agreement was estimated and subtracted.
- It was estimated that 42% of the value of qualifying construction was attributable to normally taxable building and construction materials.
- Growth rates for governmental entities published by IHS Global Insight, Inc. (*U.S Economic Outlook*) were used to forecast spending.
- Annual growth for nonprofit organizations, hospitals, nursing homes, etc., was estimated at 2.5%.
- The timing and processing of refund claims are expected to affect the estimates.
- A portion of the savings to local governments is assumed to reduce property tax levies.
- Lower levies will result in lower homeowner property tax refunds, reducing costs to the state general fund beginning FY 2021.
- Lower levies will result in lower income tax deductions, increasing revenues to the state general fund beginning in FY 2021.

Cigarette and Tobacco Taxes

Cigarette Indexing

- The estimates are based on the February 2019 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 151.8 million packs of cigarettes and 24.5 million containers of moist snuff sold in fiscal year 2019.
- Under current law in fiscal year 2023, the packs of cigarettes sold is forecast to decrease to about 145.3 million packs of cigarettes and the containers of moist snuff are forecast to increase to about 27.6 million containers. Under the proposal in fiscal year 2023, it is estimated that the number of packs of cigarettes sold will be 141.8 million and the containers of moist snuff will be 27.0 million.
- The index provision has five months of impact in fiscal year 2020.

Premium Cigars

- Estimates for the tax rate change are based on excise tax return information and the February 2019 forecast for tobacco products excise tax collections.
- Most premium cigars are taxed at 50¢ per cigar maximum under current law. For the proposal, it is estimated that about 70% of premium cigars would be subject to the rate of 95% of wholesale price and 30% of premiums cigars would be taxed at the \$3.50 maximum.
- The fiscal year 2020 estimates are adjusted for eleven months of impact.

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

S.F. 2411, As Proposed to be Amended
Governor's Budget 2019
(\$000s)

*Retroactive items

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Tax Cuts and Jobs Act conformity					
Create state standard deduction equal to standard deduction under prior federal law (beginning TY 19)	\$0	\$0	\$0	\$0	\$0
Create state personal and dependent exemptions equal to exemptions under prior federal law (beginning TY 19)	\$0	\$0	\$0	\$0	\$0
Switch Minnesota starting point to AGI (beginning TY 19)	\$0	(\$1,800)	(\$1,800)	(\$1,800)	(\$1,800)
Subtotal: Standard Deduction and Exemptions	\$0	(\$1,800)	(\$1,800)	(\$1,800)	(\$1,800)
Education-Related Provisions					
Allow exclusion of discharged student loan debt in case of death or disability (TY19-25)	\$0	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Require addition for Section 529 plan withdrawals used for K-12 tuition (beginning TY19)	\$0	\$0	\$0	\$0	\$0
Subtotal: Education-Related Provisions	\$0	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Federal Deductions					
Allow itemized deductions equal to those under prior federal law; retain current MN phase-out thresholds (beginning TY 19)	\$0	\$0	\$0	\$0	\$0
Repeal deduction for alimony payments and corresponding inclusion of received alimony (for agreements beginning 2019)	\$0	\$1,600	\$2,300	\$3,100	\$4,300
Modify limit on wagering losses (TY19-25)	\$0	\$150	\$90	\$90	\$90
Charitable deduction not allowed for amounts paid for college athletic event seating rights (beginning TY19)	\$0	\$1,900	\$1,200	\$1,200	\$1,200
Limit mortgage interest to \$750,000 (beginning TY19)		\$200	\$500	\$700	\$1,000
Subtraction for qualified moving expenses (TY19-25)		\$0	\$0	\$0	\$0
Subtotal: Federal Deductions	\$0	\$3,850	\$4,090	\$5,090	\$6,590
Federal Exclusions					
Suspend exclusion for qualified moving expense reimbursement (TY19-25)	\$0	\$5,600	\$3,900	\$3,900	\$3,900
Suspend exclusion for certain employer-provided bicycle commuter fringe benefits (TY19-25)	\$0	\$40	\$30	\$30	\$30
Subtotal: Federal Exclusions	\$0	\$5,640	\$3,930	\$3,930	\$3,930
Retirement, Savings, and Pensions					
Allow increased contributions to ABLE accounts (TY19-25)	\$0	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Extend rollover period for certain retirement plan loan offsets (beginning TY19)	\$0	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Repeal special rule permitting recharacterization of IRA contributions (beginning TY19)	\$0	\$450	\$300	\$350	\$400
Subtotal: Retirement, Savings, and Pensions	\$0	\$450	\$300	\$350	\$400

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Bonus Depreciation and Section 179 Expensing					
*Bonus depreciation of 100%, with 80% addback and 5-year recovery; phased out beginning in TY 2023 (TY18-26)					
Individual Income Tax	\$400	\$8,700	\$10,700	\$10,500	\$3,700
Corporate Franchise Tax	<u>\$800</u>	<u>\$18,300</u>	<u>\$22,600</u>	<u>\$22,100</u>	<u>\$7,800</u>
	\$1,200	\$27,000	\$33,300	\$32,600	\$11,500
Section 179 with addback in TY18; full conformity beginning TY19					
Individual Income Tax	(\$5,200)	(\$76,200)	(\$49,900)	(\$38,900)	(\$25,100)
Corporate Franchise Tax	<u>(\$2,000)</u>	<u>(\$28,900)</u>	<u>(\$18,900)</u>	<u>(\$14,700)</u>	<u>(\$9,500)</u>
	(\$7,200)	(\$105,100)	(\$68,800)	(\$53,600)	(\$34,600)
Bonus Depreciation and Section 179 Expensing					
Individual Income Tax	(\$4,800)	(\$67,500)	(\$39,200)	(\$28,400)	(\$21,400)
Corporate Franchise Tax	(\$1,200)	(\$10,600)	\$3,700	\$7,400	(\$1,700)
Subtotal	(\$6,000)	(\$78,100)	(\$35,500)	(\$21,000)	(\$23,100)
Other Business and Investment Provisions					
Disallow pass-through losses over \$500,000 married joint, \$250,000 for other filers (TY19-25)					
Individual Income Tax	\$4,400	\$47,800	\$46,300	\$40,400	\$41,600
Tax gain on the sale of partnership on a look-through basis (beginning TY19)					
Individual Income Tax	\$200	\$1,600	\$1,900	\$2,400	\$3,100
*Expand the definition of built-in loss for purposes of partnership loss transfers (beginning TY18)					
Individual Income Tax	\$30	\$670	\$300	\$300	\$400
*Charitable contributions and foreign taxes taken into account in determining limit on partner's share of loss (beginning TY18)					
Individual Income Tax	\$100	\$1,300	\$800	\$800	\$900
*Repeal rollover of publicly traded securities gain into specialized small business investment companies (beginning TY18)					
Individual Income Tax	\$30	\$570	\$300	\$300	\$200
Corporate Franchise Tax	\$50	\$1,250	\$600	\$500	\$400
Limit net interest deduction to 30% of income, with carryforward					
Individual Income Tax (beginning TY19)	\$8,100	\$89,600	\$92,500	\$111,100	\$136,000
*Corporate Franchise Tax (beginning TY18)	\$1,400	\$31,300	\$15,700	\$18,900	\$23,100
Modification of net operating loss deduction (beginning TY19)					
Individual Income Tax	\$3,200	\$35,600	\$43,300	\$67,400	\$93,900
*Repeal deferred gain on like-kind exchanges, except for real property (beginning TY18)					
Individual Income Tax	\$200	\$4,700	\$3,300	\$4,300	\$5,600
Corporate Franchise Tax	\$200	\$5,900	\$4,200	\$5,400	\$7,100
*Reduce recovery period for certain real property (beginning TY18)					
Individual Income Tax	(\$30)	(\$570)	(\$600)	(\$700)	(\$1,000)
Corporate Franchise Tax	(\$70)	(\$1,230)	(\$1,100)	(\$1,400)	(\$2,000)
Repeal deduction for local lobbying expenses					
Individual Income Tax (beginning TY19)	\$20	\$180	\$100	\$100	\$100
*Corporate Franchise Tax (beginning TY18)	\$30	\$670	\$300	\$300	\$300

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Other Business and Investment Provisions (Cont.)					
Limit deduction for employer-provided meals and entertainment expenses					
Individual Income Tax (beginning TY19)	\$300	\$6,100	\$2,700	\$2,700	\$2,800
*Corporate Franchise Tax (beginning TY18)	\$800	\$16,600	\$7,300	\$7,400	\$7,600
Limit deduction for certain employer-provided transportation benefits					
Individual Income Tax (beginning TY19)	\$200	\$2,700	\$2,000	\$2,100	\$2,200
*Corporate Franchise Tax (beginning TY18)	\$600	\$12,500	\$5,600	\$5,700	\$5,900
Prohibit deduction for achievement awards of cash, gift cards and other nontangible personal property					
Individual Income Tax (beginning TY19)	Negl.	Negl.	Negl.	Negl.	Negl.
*Corporate Franchise Tax (beginning TY18)	Negl.	Negl.	Negl.	Negl.	Negl.
Limit deduction for FDIC Premiums					
*Corporate Franchise Tax (beginning TY18)	\$500	\$12,100	\$6,100	\$6,200	\$6,300
Deny deduction for sexual harassment settlements paid subject to a nondisclosure agreement					
Individual Income Tax (beginning TY19)	Negl.	Negl.	Negl.	Negl.	Negl.
*Corporate Franchise Tax (beginning TY18)	Negl.	Negl.	Negl.	Negl.	Negl.
Revise treatment of contributions to capital					
Individual Income Tax (beginning TY19)	\$30	\$370	\$700	\$1,100	\$1,200
*Corporate Franchise Tax (beginning TY18)	\$90	\$1,850	\$2,000	\$3,000	\$3,200
*Modify historic rehabilitation credit to provide 20% credit spread over 5 years (beginning TY18)					
Corporate Franchise Tax	\$0	\$39,900	\$16,400	\$9,800	(\$18,800)
*Modify treatment of interest for producers of beer, wine, and distilled spirits (TY18 & TY19)					
Individual Income Tax	(\$100)	(\$2,400)	\$0	\$0	\$0
Corporate Franchise Tax	(\$200)	(\$2,900)	\$0	\$0	\$0
Modify limit on excessive compensation					
Individual Income Tax (beginning TY19)	\$50	\$550	\$600	\$600	\$600
*Corporate Franchise Tax (beginning TY18)	\$300	\$6,100	\$3,600	\$3,600	\$3,600
All Other Business and Investment Provisions					
Individual Income Tax	\$16,730	\$188,770	\$194,200	\$232,900	\$287,600
Corporate Franchise Tax	\$3,700	\$124,040	\$60,700	\$59,400	\$36,700
Subtotal	\$20,430	\$312,810	\$254,900	\$292,300	\$324,300
Unrelated Business Income					
Unrelated business income of charitable organizations separately computed for each trade or business activity (beginning TY19)	\$200	\$2,900	\$2,200	\$2,700	\$2,900
Subtraction for transportation fringe benefits included in federal UBTI (beginning TY19)	\$0	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Subtotal: Unrelated Business Income	\$200	\$2,900	\$2,200	\$2,700	\$2,900
Bond Interest					
Repeal exclusion of interest on advance refunding bonds					
Individual Income Tax (beginning TY19)	\$300	\$3,300	\$4,800	\$5,700	\$6,100
*Corporate Franchise Tax (beginning TY18)	\$200	\$3,800	\$2,500	\$3,000	\$3,200
Subtotal: Bond Interest	\$500	\$7,100	\$7,300	\$8,700	\$9,300

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
International Business Income					
*Deemed repatriation of certain deferred foreign income (beginning TY17)2					
Corporate Franchise Tax	\$13,300	\$257,000	\$104,100	\$107,700	\$110,800
*Inclusion of global intangible low-taxed income (GILTI) with no DRD (beginning TY18)					
Individual Income Tax	\$600	\$12,600	\$6,100	\$6,000	\$5,800
Corporate Franchise Tax	\$6,500	\$149,100	\$72,000	\$70,700	\$68,600
Addition for foreign-derived intangible income (FDII) derived from domestic trade or business (beginning TY18)					
Individual Income Tax	(\$800)	(\$11,700)	(\$6,900)	(\$8,200)	(\$8,500)
Corporate Franchise Tax	(\$3,000)	(\$66,200)	(\$39,900)	(\$47,400)	(\$49,300)
*Other modifications to Subpart F provisions (beginning TY18)					
Corporate Franchise Tax	Negl.	Negl.	Negl.	Negl.	Negl.
International Business Income					
Individual Income Tax	(\$200)	\$900	(\$800)	(\$2,200)	(\$2,700)
Corporate Franchise Tax	\$16,800	\$339,900	\$136,200	\$131,000	\$130,100
Subtotal	\$16,600	\$340,800	\$135,400	\$128,800	\$127,400
All TCJA-Related Provisions					
Individual Pass-Through Income	\$12,030	\$125,470	\$159,000	\$208,000	\$269,600
Other Individual Income Tax	\$0	\$8,140	\$6,520	\$7,570	\$9,120
Unrelated Business Income Tax	\$200	\$2,900	\$2,200	\$2,700	\$2,900
Corporate Franchise Tax	\$19,500	\$457,140	\$203,100	\$200,800	\$168,300
General Fund Total	\$31,730	\$593,650	\$370,820	\$419,070	\$449,920

Other Federal Update Items					
Disaster Tax Relief Act of 2017					
Individual Income Tax	\$0	(\$2,740)	\$310	\$200	\$100
Corporate Franchise Tax	\$0	(\$100)	\$40	\$30	\$10
Subtotal: Disaster Tax Relief Act	\$0	(\$2,840)	\$350	\$230	\$110
Bipartisan Budget Act of 2018					
Individual Income Tax	\$0	(\$18,455)	(\$145)	(\$225)	(\$290)
Corporate Franchise Tax	\$0	(\$1,440)	\$270	\$245	\$190
Subtotal: Bipartisan Budget Act	\$0	(\$19,895)	\$125	\$20	(\$100)

Other Provisions					
Individual Income Tax					
Working Family Credit Expansion for 3 or more Children (1/1/19)	\$0	(\$10,100)	(\$10,300)	(\$10,400)	(\$10,700)
Working Family Credit \$100/\$200 Married Joint (1/1/19)	\$0	(\$40,800)	(\$41,000)	(\$41,200)	(\$41,500)
Social Security Subtraction Increase (1/1/19)	\$0	(\$11,000)	(\$11,900)	(\$12,700)	(\$13,500)
Section 529 Plan Credit Phase-out (1/1/20)	\$0	\$0	(Negl.)	(Negl.)	(\$5)
Angel Investment Credit (TY19 & 20)	\$0	(\$10,000)	(\$10,000)	\$0	\$0
Subtotal: Individual Income Tax	\$0	(\$71,900)	(\$73,200)	(\$64,300)	(\$65,705)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Corporate Franchise Tax					
Repeal Alternative Minimum Tax (1/1/18)	\$0	(\$41,400)	(\$15,900)	(\$15,100)	(\$14,800)
80% Net Operating Loss Limitation (1/1/18)	\$0	\$49,500	\$21,500	\$21,500	\$21,500
Apportionment Sales Factor to Exclude Derivatives	\$0	\$0	\$0	\$0	\$0
Limit Dividend Received Deduction from Debt-Financed Stock (1/1/19)	\$0	\$130	\$100	\$100	\$100
Economic Substance Requirements (1/1/19)	\$0	\$0	\$300	\$1,500	\$2,500
Mutual Fund Manager Consistent Apportionment (1/1/19)	\$0	\$6,300	\$9,000	\$12,500	\$12,500
Subtotal: Corporate Franchise Tax	\$0	\$14,530	\$15,000	\$20,500	\$21,800
Estate Tax					
Retain \$2.7 Million Exclusion (1/1/19)	\$0	\$0	\$9,900	\$13,700	\$14,500
Subtotal: Estate Tax	\$0	\$0	\$9,900	\$13,700	\$14,500
Deed Tax					
Increase Min. Deed Tax Threshold to \$3,000 (1/1/20)	\$0	(Negl.)	(\$5)	(\$5)	(\$10)
Subtotal: Deed Tax	\$0	\$0	(\$5)	(\$5)	(\$10)
Sales and Use Tax					
Marketplace Provider Collection Requirements (10/2/19)	\$0	\$370	\$570	\$580	\$590
Data Centers Software Exemption Limitation (DFE)	\$0	\$3,700	\$16,600	\$22,700	\$27,200
Construction Materials for Local Government and Nonprofit Organizations (7/1/19)	\$0	(\$26,900)	(\$31,000)	(\$7,600)	\$0
Property Tax Refund interaction	\$0	\$0	\$490	\$570	\$140
Income Tax interaction	\$0	\$0	\$390	\$450	\$110
Subtotal: Sales and Use Tax	\$0	(\$22,830)	(\$12,950)	\$16,700	\$28,040
Cigarette and Tobacco Taxes					
Cigarette Tax Indexing (1/1/20)					
Cigarette Excise Tax	\$0	\$1,900	\$7,300	\$12,600	\$17,700
Cigarette In-Lieu Sales Tax	\$0	(\$70)	(\$140)	(\$240)	(\$360)
Moist Snuff Excise Tax	\$0	\$300	\$1,300	\$2,400	\$3,500
Sales Tax – Tobacco Products	<u>\$0</u>	<u>\$20</u>	<u>\$60</u>	<u>\$110</u>	<u>\$160</u>
Subtotal: Cigarette Tax Indexing	\$0	\$2,150	\$8,520	\$14,870	\$21,000
Premium Cigars (7/1/19)					
Excise Tax	\$0	\$940	\$1,100	\$1,100	\$1,100
Sales Tax	<u>\$0</u>	<u>(\$270)</u>	<u>(\$300)</u>	<u>(\$300)</u>	<u>(\$300)</u>
Subtotal: Premium Cigars	\$0	\$670	\$800	\$800	\$800
Subtotal: Cigarette and Tobacco Taxes	\$0	\$2,820	\$9,320	\$15,670	\$21,800
Department of Revenue Appropriation for Administrative Costs	\$0	(\$4,217)	(\$1,853)	(\$1,450)	(\$1,450)
General Fund--All Provisions	\$31,730	\$489,318	\$317,507	\$420,135	\$468,905

Natural Resources and Arts Funds					
Marketplace Provider Collection Requirements (10/2/19)	\$0	\$20	\$30	\$30	\$30
Data Centers Software Exemption Limitation (DFE)	\$0	\$200	\$1,000	\$1,300	\$1,600
Construction Materials for Local Government and Nonprofit Organizations (7/1/19)	\$0	(\$1,500)	(\$1,800)	(\$400)	\$0
Cigarette Tax Indexing (1/1/20)		Negl.	Negl.	\$10	\$10
Premium Cigars (7/1/19)		(\$20)	(\$20)	(\$20)	(\$20)
Natural Resources and Arts Funds Total	\$0	(\$1,300)	(\$790)	\$920	\$1,620
Total--All Funds	\$31,730	\$488,018	\$316,717	\$421,055	\$470,525