DEPARTMENT OF REVENUE

INDIVIDUAL INCOME TAX
CORPORATE FRANCHISE TAX
Federal Update

February 15, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 501 (Marquart), As Proposed to be Amended (H0501DE1)

	Fund Impact			
	F.Y. 2022	**F.Y. 2023**	**F.Y. 2024**	**F.Y. 2025**
	(000's)			
Further Consol. Appropriations Act, 2020				
Individual Income Tax	($17,380)	$750	$450	$140
Corporate Franchise Tax	($4,740)	$660	$550	$550
Total	($22,120)	$1,410	$1,000	$690
CARES Act				
Individual Income Tax	($297,500)	$5,500	$800	$400
Corporate Franchise Tax	($32,500)	($1,500)	($1,500)	($800)
Total	($330,000)	$4,000	($700)	($400)
Paycheck Protection Program (from the CARES Act and CAA 2021)				
Individual Income Tax	($191,500)	($18,200)	($14,400)	($9,900)
Interaction: NOL modifications	($36,100)	$7,400	$3,200	$3,200
Corporate Franchise Tax	($183,500)	($15,900)	($12,200)	($9,200)
Total	($411,100)	($26,700)	($23,400)	($15,900)
Consolidated Appropriations Act, 2021				
Individual Income Tax	($59,905)	($12,965)	($9,915)	($10,915)
Corporate Franchise Tax	($23,800)	($10,240)	($2,770)	($2,380)
Total	($83,705)	($23,205)	($12,685)	($13,295)
General Fund Total	($846,925)	($44,495)	($35,785)	($28,905)

EXPLANATION OF THE BILL

The bill would update reference to the Internal Revenue Code as amended through December 31, 2020, thereby adopting the federal law changes in the following Acts:

- The Further Consolidated Appropriations Act, 2020 (Public Law 116-94), enacted December 20, 2019.
- The Families First Coronavirus Response Act (Public Law 116-127), enacted March 18, 2020.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), enacted March 27, 2020.
- The Consolidated Appropriations Act, 2021 (Public Law 116-260), enacted December 27, 2020.

EXPLANATION OF THE BILL (Cont.)

The bill allows a subtraction for taxpayers who received specific federal credits for employers, including the payroll credits for required paid sick leave and paid family leave in the Families First Coronavirus Response Act and the employer retention credit in the CARES Act, as modified by the Consolidated Appropriations Act, 2021. Under federal law, any compensation paid with the credits is not a deductible expense. The bill allows a subtraction for any expenses that do not qualify for a federal deduction due to the employee retention credits.

The bill specifies that no additional tax may be collected due to conformity in tax years 2018 through 2020, if the tax on the original return was calculated based on the internal revenue Code as amended through December 31, 2018.

Further Consolidated Appropriations Act, 2020
The Act extends certain expired tax provisions retroactively for tax years 2018 through tax year 2020. It also includes several new provisions, as described below.

529 Plan distributions. The Act allows qualified distributions from a Section 529 college savings plans to cover apprenticeship costs and student loan payments. Qualified loans include debt incurred by the beneficiary or a sibling of the beneficiary.

Benefits for firefighters and emergency responders. The Act excludes from income certain state and local benefits paid to volunteer firefighters and emergency responders, up to $50 per month, for tax year 2020 only.

Disaster-related IRA distributions. The Act also establishes special rules for taxpayers taking an early distribution from a retirement plan due to damages sustained in federally declared disaster areas. An eligible taxpayer may take an early distribution of up to $100,000 and may either repay the amount or include the distribution in gross income over a three-year period, instead of in the year it was withdrawn. Qualified disaster areas include federal disasters that were declared from January 1, 2018 to February 18, 2020, excluding disasters that were already covered under the Bipartisan Budget Act of 2018.

Disaster-related casualty losses. The Act revises the deduction for casualty losses in federally declared disaster areas. The federal deduction for most casualty losses was suspended for tax years 2018 through 2025. For disasters declared from January 1, 2018 to February 18, 2020, the Act allows non-itemizers to claim the deduction for disaster-related losses and allows the entire loss over $500 to be deducted. Although Minnesota has its own deduction for casualty losses, Minnesota statute refers to the Internal Revenue Code to define qualified losses.

Disaster-related charitable contributions. The Act also removes the limit on qualified disaster-related charitable contributions. Generally, charitable deductions are limited to 60% of adjusted gross income. Under the Act, deductions for qualified cash contributions made from January 1, 2018 to February 18, 2020 related to federally declared disaster areas are not subject to any limit. Although Minnesota has its own itemized charitable deduction, Minnesota statute refers to the Internal Revenue Code to define eligible contributions.

EXPLANATION OF THE BILL (Cont.)

Families First Coronavirus Response Act
The Act creates tax credits for employers who provide paid sick leave and paid family and medical leave, and similar tax credits for self-employed individuals who would qualify for paid leave if they were employees. The federal credits are equal to 100% of the eligible expenses for providing leave, with certain limits. For employers, any amount claimed for the federal credits may not also be deducted as employee compensation. The Consolidated Appropriations Act, 2021 extended the credits enacted by the FFCRA through March 31, 2021.

The bill creates a subtraction for any expenses that are not allowed to be deducted federally due to the federal credits.

CARES Act
The Act includes the following provisions which would affect the definition of income for Minnesota individual income tax or corporate franchise tax purposes.

Special rules for use of retirement funds. The Act establishes special rules for taxpayers taking an early distribution from a retirement plan for coronavirus-related expenses in tax year 2020. An eligible taxpayer may take an early distribution of up to $100,000 without paying the 10% federal penalty and may either repay the amount or include the distribution in gross income over a three-year period, instead of in the year it was withdrawn. The provision also increases the limit on borrowing from retirement accounts for coronavirus-related expenses.

Above-the-line deduction for charitable contributions. The Act allows a deduction of up to $300 for cash charitable contributions made by taxpayers who do not itemize deductions on their federal return. The deduction applies for tax year 2020 only.

Modify limits on charitable contributions. The Act adjusts the limitations on charitable contributions in three ways. (1) The limitation on deductions for cash contributions for individuals is increased from 60% to 100% of federal adjusted gross income. (2) The corporate deduction limit for cash contributions is increased from 10% to 25% of federal taxable income. (3) The deduction limit for food inventory is increased from 15% to 25% of taxable income for corporations or net income for individuals. These modifications apply to charitable contributions made during tax year 2020.

Exclusion of student loan payments. The Act enables employers to provide a student loan repayment of up to $5,250 annually to employees on a tax-free basis. The payment is excluded from the employee's income and applies to both loan repayment and other educational assistance (e.g. tuition, fees, and books). The exclusion applies to payments made after March 27, 2020 and before January 1, 2021.

EXPLANATION OF THE BILL (Cont.)

Employee retention credit. The Act creates a refundable payroll tax credit. Qualifying employers can claim a tax credit of up to $5,000 per employee. Under circumstances before the creation of the credit, employers were allowed to deduct payroll taxes as a business expense on their income tax return. Federal law allows employers to continue to deduct payroll taxes. However, as a condition of receiving the payroll tax credit, the wages used to calculate the payroll tax credit claimed is included as an item of income and no deduction is allowed for the portion of the wages that equals the credit amount. Under federal law the net effect is that the amount of the federal credit may not be deducted as employee compensation. The Consolidated Appropriations Act, 2021 expanded the credit and extended it for wages paid through the first two quarters of 2021.

The bill allows a subtraction for any expenses disallowed due to the federal credits.

Net operating losses for pass-through entities. The Act modifies the treatment of net operating losses for pass-through businesses in three ways, for losses generated in 2018, 2019, and 2020: 1) it waives the 80% limitation on net operating loss deductions, 2) it removes the limit on excess business losses over $250,000, and 3) it allows net operating losses to be carried back for up to five years.

Modify limit on business interest. The Act increases the amount of interest expenses businesses are allowed to deduct on their tax returns, by increasing the limitation from 30% to 50% of taxable income (with adjustments) for tax years 2019 and 2020.

Include menstrual products as qualified medical expense. The Act allows amounts paid for menstrual care products to be treated as qualified expenses to be paid from pre-tax medical savings accounts, flexible spending arrangements, and health reimbursement arrangements, beginning with expenses incurred in tax year 2020.

Paycheck Protection Program. The Act established the Paycheck Protection Program (PPP) to provide low-interest loans to small businesses with less than 500 employees to assist with payroll, mortgage interest, rent, and utilities. Loans are eligible for forgiveness if they meet certain requirements. The amount of the loan that is forgiven is not included in gross income. The Consolidated Appropriations Act, 2021 clarified that expenses paid with forgiven loans may be deducted from income. Allowing the exclusion would reduce taxable income for affected taxpayers, resulting in a reduction in individual income tax and corporate franchise tax revenue.

EXPLANATION OF THE BILL (Cont.)

Consolidated Appropriations Act, 2021
The Act includes a number of provisions that will affect the definition of income, as described below.

Discharge of indebtedness on principal residence. In general, any forgiven debt is included in gross income. An exception is allowed for discharged debt on a principal residence up to $2 million ($1 million for married separate filers). The exclusion is scheduled to expire after tax year 2020. The Act extends the exclusion for tax years 2021 through 2025 and reduces the maximum exclusion to $750,000 ($375,000 married separate).

Benefits for firefighters and emergency responders. For tax year 2020, certain state and local benefits paid to volunteer firefighters and emergency responders were excluded from income, up to $50 per month. The Act permanently extends that exclusion beginning with tax year 2021.

Student loan payments. The CARES Act allowed an exclusion for certain student loan payments made by an employer, up to $5,250 per employee for tax year 2020 only. The CAA extends the exclusion for tax years 2021 through 2025.

Emergency financial aid grants. The CARES Act provided emergency financial aid grants for college and university students in tax year 2020. The CAA clarifies that the grants are excluded from income.

Charitable deduction for nonitemizers. The Act allows an above-the-line deduction for charitable contributions up to $300 ($600 for married joint filers), for tax year 2021 only.

Increased limits on charitable contributions. In general, deductions for charitable contributions may not exceed 60% of adjusted gross income. The CARES Act increased the limit to 100% of adjusted gross income for tax year 2020. The CAA extends the 100% limit for tax year 2021.

Educator expense deduction. The Act expands the educator expense deduction to include personal protective equipment and other supplies used to protect against the COVID-19 coronavirus.

Flexible Spending Arrangements. The Act allows taxpayers who contribute to a medical or dependent care FSA to carry over up to $550 in unused contributions to the next year, for plan years ending in 2020 and 2021 only. The Act also creates special rules for taxpayers who stopped contributions mid-year. They may continue to make withdrawals from the FSA through the end of the year, plus any carryover period.

EIDL loan exclusion. The CARES Act created an Economic Injury Disaster Loan (EIDL) program for businesses affected by the COVID-19 pandemic. The loans must be repaid over 30 years, but loan advances up to $10,000 do not have to be repaid. The forgiven loan advances are not included in income. The CAA clarifies that expenses paid with the advances are deductible.

EXPLANATION OF THE BILL (Cont.)

Extenders. The Act extends several provisions that have been extended repeatedly over recent years. Some are made permanent, and others are extended for tax years 2021 through 2025.

Depreciation of certain rental property. The Tax Cuts and Jobs Act shortened the recovery period for residential rental property from 40 years to 30 years, beginning with tax year 2018. The provision expands that treatment to certain property placed in service before tax year 2018, under limited circumstances.

Production period for beer, wine, and spirits. The Tax Cuts and Jobs Act temporarily reduced the production period for beer, wine, and distilled spirits to exclude the aging period, allowing producers of those products to deduct expenses over a shorter time. That provision expired after tax year 2020. The CAA extends the provision permanently beginning with tax year 2021.

Deduction for business meals. The Tax Cuts and Jobs Act limited the deduction for business meals to 50% of expenses. The CAA 2021 allows a deduction for the full amount of expenses for food and beverages provided by a restaurant in 2021 and 2022.

Disaster-related IRA distributions. The Act extends special rules for taxpayers taking an early distribution from a retirement plan due to damages sustained in federally declared disaster areas. An eligible taxpayer may take an early distribution of up to $100,000 and may either repay the amount or include the distribution in gross income over a three-year period, instead of in the year it was withdrawn. Qualified disaster areas include federal disasters that were declared from January 1, 2020 through February 25, 2021, for disasters beginning December 28, 2019 to December 28, 2020, not including the ongoing pandemic-related disasters.

Disaster-related casualty losses. The Act extends the deduction for casualty losses in federally declared disaster areas. The federal deduction for most casualty losses was repealed beginning with tax year 2018. The law allows the deduction for disaster-related losses, allows non-itemizers to claim the deduction for disaster-related losses, and removes the 10% threshold so that the entire loss may be deducted. Although Minnesota has its own deduction for casualty losses, Minnesota statute refers to the Internal Revenue Code to define qualified losses.

REVENUE ANALYSIS DETAIL

Further Consolidated Appropriations Act, 2020

- For all provisions, the estimates are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation, dated December 21, 2020.
- 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.

REVENUE ANALYSIS DETAIL (Cont.)

- The House Income Tax Simulation Model (HITS 7.0) was used to estimate the reduction in marginal tax rates for tax year 2021. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in November 2020. The model uses a stratified random sample of tax year 2018 individual income tax returns compiled by the Minnesota Department of Revenue.
- Retroactive impacts are allocated to fiscal year 2022. For other years, corporate franchise tax impacts are allocated 30% / 70% to fiscal years. Individual income tax impacts are allocated to the following fiscal year.

Families First Coronavirus Response Act

- The subtraction is assumed to offset any increase in taxable income due to the federal credits, resulting in no change in tax and no revenue impact.

CARES Act

- The estimates for most provisions are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation, dated March 27, 2020.
- 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.

Net Operating Loss Modifications

- The amount of NOLs that will be claimed in tax year 2020 is unknown. Based on information from income tax returns and the November 2020 forecast, this estimate assumes that total business income will rise by 6.9% in 2020 and net negative income will increase by 20%.
- It is assumed that 80% of the increased NOLs will be claimed as refunds or on 2020 returns, and the remainder will be carried forward over the next 10 years.
- Adopting the NOL modifications interacts with the Paycheck Protection Program (PPP) loan exclusion, since allowing the exclusion for forgiven loans will generate significant net operating losses. Conforming to both provisions would increase the amount of NOLs claimed in 2020 and the amount that will be carried back to previous years. Those revenue losses are allocated to FY 2022. There will be a revenue gain beginning in FY 2023 as the pool of NOLs will be smaller in future years.
- Retroactive impacts are allocated to fiscal year 2022. For other years, corporate franchise tax impacts are allocated 30% / 70% to fiscal years. Individual income tax impacts are allocated to the following fiscal year.

Charitable Deduction for Nonitemizers

- The estimate is based on information from a sample of 2018 income tax returns and the House Income Tax Simulation (HITS) model.
- Taxpayers with the charitable subtraction for nonitemizers are expected to claim the above-the-line federal deduction for the first $300 in contributions.

REVENUE ANALYSIS DETAIL (Cont.)

- The Minnesota subtraction was reduced by the amount used to claim the federal deduction.
- The estimate was increased by 10% to include taxpayers with less than $500 in contributions, who do not qualify for the Minnesota subtraction but could claim the federal deduction.

Paycheck Protection Program

- The first and second round of PPP loans ended on August 8, 2020. At that time, about 5,212,100 loans totaling $525.0 billion had been approved by the Small Business Administration (SBA), as reported in the Paycheck Protection Program Report. Of this total, about 102,400 loans totaling $11.3 billion were approved in Minnesota.
- The CAA 2021 appropriated an additional $284 billion for PPP loans. Based on the loans issued so far, Minnesota businesses are expected to receive an additional $6.1 billion in loans in tax year 2021.
- Based on the distribution and magnitude of the loans, it is assumed 80% of the loans will be forgiven.
- C corporations account for 39.5% of PPP loans in Minnesota, according to information obtained from the Small Business Administration. Pass-through entities, estates, trusts, and individuals account for 51.9%. Nonprofit organizations account for 8.6%.
- Nonprofits are not included in the estimate because their operating income is already excluded from tax.
- The estimate was reduced by 68% to exclude businesses without taxable income in tax year 2020, based on taxable income in 2018, adjusted for expected losses in 2020.
- The SBA data for Minnesota loan recipients does not include out-of-state businesses with sales into Minnesota. The size of that impact is unknown but is assumed to be offset by out-of-state sales of businesses located in Minnesota.
- Amounts that cannot be deducted immediately may be carried forward as net operating losses (NOLs) to offset income in future years. Between 2.7% and 6.3% of NOLs are assumed to be claimed each year over the forecast period.
- The CARES Act removed the 80% limitation on NOLs and allowed losses to be carried back for up to five years. Adopting those provisions when combined with the PPP loan exclusion would result in an additional immediate impact in FY 2022. There will be a revenue gain beginning in FY 2023 as the pool of NOLs will be smaller in future years.
- A marginal rate of 8.0% was assumed for individuals and pass-through entities. A marginal rate of 9.8% was applied to corporations.
- Corporate tax impacts are allocated 30% / 70% to fiscal years. Income tax impacts were allocated to the following fiscal year.

Consolidated Appropriations Act, 2021

- The estimates for most provisions are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation, dated December 21, 2020.
- 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.

REVENUE ANALYSIS DETAIL (Cont.)

- Retroactive impacts are allocated to fiscal year 2022. For other years, corporate franchise tax impacts are allocated 30% / 70% to fiscal years. Individual income tax impacts are allocated to the following fiscal year.

EIDL Advance Exclusion

- The estimate for the EIDL advances is based on information from the Small Business Administration (SBA).
- Minnesota businesses have received $251.7 million in EIDL advances, according to a July 15, 2020 SBA report.
- C corporations are assumed to account for 39.5% of EIDL advances. Pass-through entities, estates, trusts, and individuals account for 51.9%. Nonprofit organizations account for 8.6%.
- The estimate was reduced by 68% to exclude businesses without taxable income in tax year 2020, based on taxable income in 2018, adjusted for expected losses in 2020.
- Any unused deductions are expected to generate additional net operating losses (NOLs) in future years. Between 2.7% and 6.3% of NOLs are assumed to be claimed each year over the forecast period.
- The CARES Act removed the 80% limitation on NOLs and allowed losses to be carried back for up to five years. Adopting those provisions when combined with the EIDL exclusion would result in an additional immediate impact in FY 2022. There will be a revenue gain beginning in FY 2023 as the pool of NOLs will be smaller in future years.
- A marginal rate of 8.0% was assumed for individuals and pass-through entities. A marginal rate of 9.8% was applied to corporations.

Charitable Deduction for Nonitemizers

- The estimate is based on information from a sample of 2018 income tax returns and the House Income Tax Simulation (HITS) model.
- Taxpayers with the charitable subtraction for nonitemizers are expected to claim the above-the-line federal deduction for the first $300 in contributions ($600 married joint).
- The Minnesota subtraction was reduced by the amount used to claim the federal deduction.
- The estimate was increased by 10% to include taxpayers with less than $500 in contributions, who do not qualify for the Minnesota subtraction but could claim the federal deduction.

Minnesota Department of Revenue
Tax Research Division
https://www.revenue.state.mn.us/revenue-analyses

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Federal Update: Further Consolidated Appropriations Act, 2020
H.F. 501, As Proposed to be Amended (H0501DE1)
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Individual Provisions				
Exclusion of discharge of indebtedness on qualified principal residence (TY18-20)	($6,700)	$0	$0	$0
Expansion of Section 529 plans (beginning TY19)	($400)	($150)	($160)	($160)
Extension of above-line deduction for qualified tuition and related expenses (TY18-20)	($5,300)	$0	$0	$0
Benefits for volunteer firefighters and emergency medical responders (TY20)	($300)	$0	$0	$0
Subtotal: Individual Provisions	**($12,700)**	**($150)**	**($160)**	**($160)**
Business and Investment Provisions				
Seven-year recovery period for motorsports entertainment complexes (TY18-20)				
Corporate Franchise Tax	($320)	($60)	($40)	($20)
Accelerated depreciation for business property on Indian reservations (TY18-20)				
Individual Income Tax	($260)	($10)	($10)	($10)
Corporate Franchise Tax	($200)	($10)	($10)	($10)
Special expensing rules for certain film, television, and live theatrical productions (TY18-20)				
Individual Income Tax	($2,200)	$500	$400	$300
Corporate Franchise Tax	($1,800)	$400	$300	$300
Special depreciation allowances for 2nd generation biofuel plant property (TY18-20)				
Corporate Franchise Tax	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Energy-efficient commercial building deduction (TY 18-20)				
Individual Income Tax	($690)	$10	$10	$10
Corporate Franchise Tax	($1,090)	$60	$40	$30
Special rule for the production period for beer, wine, and distilled spirits (TY20 only)				
Individual Income Tax	($50)	$10	$10	$0
Corporate Franchise Tax	($80)	$20	$10	$0
Special rule for sales or dispositions of transmission lines for qualified electric utlities (TY18-20)				
Corporate Franchise Tax	($1,250)	$250	$250	$250
Business and Investment Provisions				
Individual Income Tax	**($3,200)**	**$510**	**$410**	**$300**
Corporate Franchise Tax	**($4,740)**	**$660**	**$550**	**$550**
Subtotal	**($7,940)**	**$1,170**	**$960**	**$850**

	FY 2022	FY 2023	FY 2024	FY 2025
Disaster Relief Provisions				
Special disaster-related rules for use of retirement funds (1/1/18-2/18/20)	($80)	$90	$0	$0
Special rules for qualified disaster-related personal casualty losses (1/1/18-2/18/20)	($600)	$0	$0	$0
Temporary increase in limitation on qualified contributions (1/1/18-2/18/20)	($800)	$300	$200	$0
Disaster Relief Provisions Subtotal	**($1,480)**	**$390**	**$200**	**$0**
All Provisions				
Individual Income Tax	**($17,380)**	**$750**	**$450**	**$140**
Corporate Franchise Tax	**($4,740)**	**$660**	**$550**	**$550**
General Fund Total	**($22,120)**	**$1,410**	**$1,000**	**$690**

Federal Update
Coronavirus Aid, Relief, and Economic Security Act
H.F. 501, As Proposed to be Amended (H0501DE1)
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Special rules for use of retirement funds (TY20 only)				
Individual Income Tax	($1,600)	$1,700	$0	$0
Above-the-line deduction for charitable contributions (TY20 only)				
Individual Income Tax	($8,400)	$0	$0	$0
Increase individual limitation on charitable contributions (TY20 only)				
Individual Income Tax	($10,400)	$4,000	$1,560	$790
Increase corporate limitation on charitable contributions (TY20 only)				
Corporate Franchise Tax	($1,000)	$400	$170	$100
Increase charitable deduction limit for food inventory (TY20 only)				
Individual Income Tax	($300)	$100	$40	$10
Corporate Franchise Tax	($200)	$100	$30	$0
Exclusion for certain employer payments of student loans (TY20 only)				
Individual Income Tax	($5,000)	$0	$0	$0
Subtraction for employee retention credit for employers affected by COVID-19 (TY20-21)				
Individual Income Tax	$0	$0	$0	$0
Corporate Franchise Tax	$0	$0	$0	$0
Net operating losses for pass-through entities (TY18-TY20 only)				
Individual Income Tax	($244,400)	$1,400	$700	$400
Modification of limitation on business interest (TY19-TY20 only)				
Individual Income Tax	($27,400)	($1,700)	($1,500)	($800)
Corporate Franchise Tax	($31,300)	($2,000)	($1,700)	($900)
Inclusion of certain over-the-counter medical products as qualified medical expenses (beginning TY20)	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Individual Income Tax				
All Provisions				
Individual Income Tax	**($297,500)**	**$5,500**	**$800**	**$400**
Corporate Franchise Tax	**($32,500)**	**($1,500)**	**($1,500)**	**($800)**
General Fund Total	**($330,000)**	**$4,000**	**($700)**	**($400)**

February 15, 2021

Federal Update: Consolidated Appropriations Act, 2021
H.F. 501, As Proposed to be Amended (H0501DE1)
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Individual Provisions				
Exclusion of discharge of indebtedness on qualified principal residence (TY21-TY25)	($1,300)	($1,500)	($1,600)	($1,600)
Benefits for volunteer firefighters and emergency medical responders (TY21)	($300)	($300)	($400)	($400)
Exclusion for certain employer payments of student loans (TY21-25)	($7,100)	($7,200)	($7,300)	($7,400)
Exclusion for certain financial aid grants made under the CARES Act (TY20)	($600)	$0	$0	$0
Partial above-the-line deduction for charitable contributions (TY21)	($14,600)	$0	$0	$0
Modification of limitation on charitable contributions (TY21)				
Individual Income Tax	($11,300)	$4,200	$2,700	$1,200
Expansion of educator expense deduction beginning (`2/27/20)	($25)	($15)	($15)	($15)
Temporary special rules for health and dependent care flexible spending arrangements (TY21)	$300	$0	$0	$0
Subtotal: Individual Provisions	**($34,925)**	**($4,815)**	**($6,615)**	**($8,215)**
Business and Investment Provisions				
Exclusion of EIDL loan advances and repayments (TY20-21)				
Individual Income Tax	($6,900)	($500)	($500)	($400)
Corporate Franchise Tax	($6,600)	($600)	($500)	($400)
Income Tax Interaction with NOL modifications	($1,000)	$200	$100	$100
SBA loan assistance (TY20-21)				
Individual Income Tax	($4,100)	($300)	($400)	($200)
Corporate Franchise Tax	($3,900)	($300)	($200)	($200)
Income Tax Interaction with NOL modifications	($400)	$100	$40	$40
Exclusion of shuttered venue grants (TY21)				
Individual Income Tax	($2,200)	($200)	($400)	($200)
Corporate Franchise Tax	($2,100)	($300)	($400)	($200)
Income Tax Interaction with NOL modifications	$0	($1,200)	$200	$100
Seven-year recovery period for motorsports entertainment complexes (TY21-25)				
Corporate Franchise Tax	($110)	($90)	($100)	($110)

	FY 2022	FY 2023	FY 2024	FY 2025
Accelerated depreciation for business property on Indian reservations (TY21)				
Individual Income Tax	($50)	($30)	($10)	(Negl.)
Corporate Franchise Tax	($40)	($20)	($10)	$0
Depreciation of certain residential rental property over 30 years (Retroactive to TY18)				
Individual Income Tax	($5,900)	($2,600)	($1,100)	($900)
Corporate Franchise Tax	($3,400)	($900)	($500)	($400)
Special expensing rules for certain film, television, and live theatrical productions (TY21-25)				
Individual Income Tax	($2,400)	($1,000)	($600)	($600)
Corporate Franchise Tax	($2,700)	($1,200)	($700)	($700)
Energy-efficient commercial building deduction (TY 21)				
Individual Income Tax	($230)	($190)	($200)	($200)
Corporate Franchise Tax	($370)	($310)	($320)	($320)
Special rule for the production period for beer, wine, and distilled spirits (beginning TY21)				
Individual Income Tax	($80)	($40)	($40)	($40)
Corporate Franchise Tax	($120)	($70)	($70)	($70)
100% deduction for business meals provided by restaurant (TY21-22)				
Individual Income Tax	($1,200)	($2,000)	$0	$0
Corporate Franchise Tax	($4,300)	($6,500)	$0	$0
Business and Investment Provisions				
Individual Income Tax	**($24,460)**	**($7,760)**	**($2,910)**	**($2,300)**
Corporate Franchise Tax	**($23,640)**	**($10,290)**	**($2,800)**	**($2,400)**
Subtotal	**($48,100)**	**($18,050)**	**($5,710)**	**($4,700)**
Disaster Relief Provisions				
Special disaster-related rules for use of retirement funds (TY21-22)	($20)	$10	$10	$0
Special rule for qualified disaster relief contributions (TY21-22)				
Corporate Franchise Tax	($160)	$50	$30	$20
Deduction for disaster-related casualty losses (beginning TY20)	($500)	($400)	($400)	($400)
Disaster Relief Provisions Subtotal	**($680)**	**($340)**	**($360)**	**($380)**
All Provisions				
Individual Income Tax	**($59,905)**	**($12,965)**	**($9,915)**	**($10,915)**
Corporate Franchise Tax	**($23,800)**	**($10,240)**	**($2,770)**	**($2,380)**
General Fund Total	**($83,705)**	**($23,205)**	**($12,685)**	**($13,295)**