

March 14, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3588 (Nelson)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective retroactively for property placed in service after December 31, 2017.

EXPLANATION OF THE BILL

Current Law: Current Minnesota law references the Internal Revenue Code as amended through December 31, 2018. The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), enacted on March 27, 2020, contained a technical amendment to the 2017 Tax Cuts and Jobs Act (TCJA) regarding qualifying improvement property. Minnesota has not conformed to the amendment.

Under the TCJA (as corrected by the CARES Act), qualified improvement property placed in service after December 31, 2017 may be depreciated over 15 years. However, the TCJA inadvertently removed the language specifying the 15-year recovery period, and therefore qualified improvement property was treated as commercial property to be depreciated over 39 years.

Proposed Law: The bill would retroactively adopt the amendment for qualifying improvement property.

REVENUE ANALYSIS DETAIL

- The federal estimates for the TCJA assumed that qualified improvement property would be treated as 15-year property. Minnesota adopted those changes in federal law, based on the federal estimates by the staff of the Joint Committee on Taxation.
- Since the original estimate for the TCJA included the full cost of treating qualified improvement property as 15-year property, the Joint Committee on Taxation has scored this as a technical amendment with no revenue impact.
- This estimate assumes that the cost of the provision has already been included in the previous estimates for conformity to the TCJA and has no additional impact.

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