



**INDIVIDUAL INCOME TAX  
CORPORATE FRANCHISE TAX  
Federal Update**

January 4, 2023

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

Department of Revenue  
Analysis of S.F. 25 (Rest), as Proposed to be Amended (SCS0025A-1)

	<b>Fund Impact</b>			
	<u><b>F.Y. 2024</b></u>	<u><b>F.Y. 2025</b></u>	<u><b>F.Y. 2026</b></u>	<u><b>F.Y. 2027</b></u>
	(000's)			
Further Consol. Appropriations Act, 2020				
Individual Income Tax	(\$500)	(\$100)	(\$100)	(\$100)
Corporate Franchise Tax	<u>(\$420)</u>	<u>(\$20)</u>	<u>\$10</u>	<u>\$20</u>
Total	(\$920)	(\$120)	(\$90)	(\$80)
CARES Act				
Individual Income Tax	(\$260)	\$10	\$0	\$0
Corporate Franchise Tax	<u>(\$70)</u>	<u>Negl.</u>	<u>\$0</u>	<u>\$0</u>
Total	(\$330)	\$10	\$0	\$0
Consolidated Appropriations Act, 2021				
Individual Income Tax	(\$41,270)	(\$1,540)	(\$1,040)	(\$550)
Corporate Franchise Tax	<u>(\$16,610)</u>	<u>(\$1,880)</u>	<u>(\$650)</u>	<u>\$270</u>
Total	(\$57,880)	(\$3,420)	(\$1,690)	(\$280)
American Rescue Plan Act				
Individual Income Tax	(\$17,900)	(\$1,100)	(\$1,100)	(\$1,000)
Corporate Franchise Tax	<u>(\$13,800)</u>	<u>(\$500)</u>	<u>(\$400)</u>	<u>\$3,600</u>
Total	(\$31,700)	(\$1,600)	(\$1,500)	\$2,600
Infrastructure Investment and Jobs Act				
Individual Income Tax	(\$290)	(\$330)	(\$460)	(\$570)
Corporate Franchise Tax	<u>(\$2,500)</u>	<u>(\$700)</u>	<u>(\$600)</u>	<u>(\$500)</u>
Total	(\$2,790)	(\$1,030)	(\$1,060)	(\$1,070)
Inflation Reduction Act				
Individual Income Tax	\$0	\$0	\$0	\$0
Corporate Franchise Tax	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0
General Fund Total	(\$93,620)	(\$6,160)	(\$4,340)	\$1,170

**EXPLANATION OF THE BILL**

**Current Law:** Current Minnesota law references the Internal Revenue Code as amended through December 31, 2018.

## **EXPLANATION OF THE BILL (Cont.)**

**Proposed Law:** The bill updates reference to the Internal Revenue Code as emended through December 15, 2022, thereby adopting the following Acts with certain exceptions:

- The Further Consolidated Appropriations Act, 2020 (Public Law 116-94) was enacted on December 20, 2019.
- The Families First Coronavirus Response Act (Public Law 116-127) was enacted on March 18, 2020.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136) was enacted on March 27, 2020.
- The Consolidated Appropriations Act, 2021 (Public Law 116-260) was enacted on December 27, 2020.
- The American Rescue Plan Act (Public Law 117-2) was enacted on March 11, 2021.
- The Infrastructure Investment and Jobs Act (Public Law 117-58) was enacted on November 15, 2021.
- The Inflation Reduction Act (Public Law 117-169) was enacted on August 16, 2022.

The bill does not include the SECURE 2.0 Act, which was included in the Consolidated Appropriations Act, 2023 and was enacted on December 29, 2022.

The bill does not adopt the following provisions:

### *Further Consolidated Appropriations Act, 2020*

- Deduction for qualified tuition and related expenses (TY18-TY20)

### *CARES Act*

- Above-the-line deduction for charitable contributions (TY20)
- Increased limit on individual and corporate charitable contributions (TY20)
- Employee retention credit for employers affected by COVID-19 (TY20)
- Net operating losses for pass-through entities (TY18-TY20)
- Modification of limit on business interest (TY18-TY20)

### *Consolidated Appropriations Act, 2021*

- 100% deduction for business meals provided by restaurant (TY21-TY22)
- Deduction for disaster-related casualty losses (beginning TY20)

### *American Rescue Plan Act*

- Increase dependent care credit (TY21)
- Extend limitation on excess business losses (TY26)
- Extend credits for paid sick and family leave (TY21)
- Extend employee retention credits (TY21)
- Credit for health insurance premium assistance (TY21)

## **EXPLANATION OF THE BILL (Cont.)**

### *Inflation Reduction Act*

- Extend limitation on excess business losses (TY27-TY28)

The amount of additional business interest that was allowed under the CARES Act in 2018-2020 must be added back to taxable income but can be deducted over five years beginning in tax year 2023.

Additional net operating losses (NOLs) that were allowed under the CARES Act in tax years 2018-2020 must be added back to taxable income but can be carried forward for up to 20 years.

A subtraction is allowed for excess business losses subject to the federal limitation in Section 461(l)(1) of the Internal Revenue Code in tax years 2026-2028.

The bill specifies that coronavirus-related distributions included in gross income under the CARES Act are not included in income for purposes of the property tax refund.

The attached tables include a complete list of the provisions with a revenue impact adopted by the bill.

## **REVENUE ANALYSIS DETAIL**

- The estimates for most provisions are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation.
- 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.
- Where possible, the estimates for retroactive provisions were updated based on information from individual income tax returns.
- Retroactive impacts are allocated to fiscal year 2024. 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.

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

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**Federal Update: Further Consolidated Appropriations Act, 2020**  
**S.F. 25, As Proposed to be Amended**  
**(\$000s)**

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Expansion of Section 529 plans (beginning TY19)	(\$500)	(\$100)	(\$100)	(\$100)
Seven-year recovery period for motorsports entertainment complexes (TY18-20)				
Corporate Franchise Tax	(\$420)	(\$20)	\$10	\$20
<b>FCAA 2020: All Provisions</b>				
<b>Individual Income Tax</b>	<b>(\$500)</b>	<b>(\$100)</b>	<b>(\$100)</b>	<b>(\$100)</b>
<b>Corporate Franchise Tax</b>	<b>(\$420)</b>	<b>(\$20)</b>	<b>\$10</b>	<b>\$20</b>
<b>General Fund Total</b>	<b>(\$920)</b>	<b>(\$120)</b>	<b>(\$90)</b>	<b>(\$80)</b>

**Federal Update**  
**Coronavirus Aid, Relief, and Economic Security Act**  
**S.F. 25, As Proposed to be Amended**  
**(\$000s)**

	FY 2024	FY 2025	FY 2026	FY 2027
Increase charitable deduction limit for food inventory (TY20 only)				
Individual Income Tax	(\$160)	\$10	\$0	\$0
Corporate Franchise Tax	(\$70)	Negl.	\$0	\$0
Exclusion for certain employer payments of student loans (TY20 only)				
Individual Income Tax	(\$100)	\$0	\$0	\$0
Inclusion of certain over-the-counter medical products as qualified medical expenses (beginning TY20)				
Individual Income Tax	(Negl.)	(Negl.)	\$0	\$0
<b>CARES Act: All Provisions</b>				
<b>Individual Income Tax</b>	<b>(\$260)</b>	<b>\$10</b>	<b>\$0</b>	<b>\$0</b>
<b>Corporate Franchise Tax</b>	<b>(\$70)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>General Fund Total</b>	<b>(\$330)</b>	<b>\$10</b>	<b>\$0</b>	<b>\$0</b>

**Federal Update: Consolidated Appropriations Act, 2021  
S.F. 25, As Proposed to be Amended**

(\$000s)

	FY 2024	FY 2025	FY 2026	FY 2027
<b>Individual Provisions</b>				
Exclusion of discharge of indebtedness on qualified principal residence (TY21-TY25)	(\$600)	(\$200)	(\$200)	\$0
Benefits for volunteer firefighters and emergency medical responders (beginning TY21)	(\$1,000)	(\$400)	(\$400)	(\$400)
Exclusion for certain employer payments of student loans (TY21-25)	(\$300)	(\$100)	(\$100)	\$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	(\$4,400)	\$1,200	\$800	\$200
<b>Subtotal: Individual Provisions</b>	<b>(\$20,900)</b>	<b>\$500</b>	<b>\$100</b>	<b>(\$200)</b>
<b>Business and Investment Provisions</b>				
SBA loan assistance (TY21)				
Individual Income Tax	(\$3,100)	(\$100)	(\$100)	(\$200)
Corporate Franchise Tax	(\$2,700)	(\$100)	\$0	(\$100)
Exclusion of shuttered venue grants (TY21)				
Individual Income Tax	(\$2,800)	(\$200)	(\$200)	(\$200)
Corporate Franchise Tax	(\$2,800)	(\$200)	(\$200)	(\$200)
Seven-year recovery period for motorsports entertainment complexes (TY21-25)				
Corporate Franchise Tax	(\$300)	(\$110)	(\$70)	(\$30)
Accelerated depreciation for business property on Indian reservations (TY21)				
Individual Income Tax	(\$90)	(Negl.)	\$0	\$0
Corporate Franchise Tax	(\$70)	\$0	\$0	\$0
Depreciation of certain residential rental property over 30 years (Retroactive to TY18)				
Individual Income Tax	(\$9,600)	(\$900)	(\$900)	(\$900)
Corporate Franchise Tax	(\$4,800)	(\$400)	(\$400)	(\$400)
Special expensing rules for certain film, television, and live theatrical productions (TY21-25)				
Individual Income Tax	(\$4,000)	(\$600)	\$300	\$1,200
Corporate Franchise Tax	(\$4,600)	(\$700)	\$400	\$1,400

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	FY 2024	FY 2025	FY 2026	FY 2027
Energy-efficient commercial building deduction (TY 21)				
Individual Income Tax	(\$620)	(\$200)	(\$200)	(\$200)
Corporate Franchise Tax	(\$1,000)	(\$320)	(\$320)	(\$320)
Special rule for the production period for beer, wine, and distilled spirits (beginning TY21)				
Individual Income Tax	(\$160)	(\$40)	(\$40)	(\$50)
Corporate Franchise Tax	(\$260)	(\$70)	(\$70)	(\$80)
<b>Business and Investment Provisions</b>				
<b>Individual Income Tax</b>	<b>(\$20,370)</b>	<b>(\$2,040)</b>	<b>(\$1,140)</b>	<b>(\$350)</b>
<b>Corporate Franchise Tax</b>	<b>(\$16,530)</b>	<b>(\$1,900)</b>	<b>(\$660)</b>	<b>\$270</b>
<b>Subtotal</b>	<b>(\$36,900)</b>	<b>(\$3,940)</b>	<b>(\$1,800)</b>	<b>(\$80)</b>
<b>Disaster Relief Provisions</b>				
Special disaster-related rules for use of retirement funds (TY21-22)	\$0	\$0	\$0	\$0
Special rule for qualified disaster relief contributions (TY21-22)				
Corporate Franchise Tax	(\$80)	\$20	\$10	\$0
<b>Disaster Relief Provisions</b>				
<b>Subtotal</b>	<b>(\$80)</b>	<b>\$20</b>	<b>\$10</b>	<b>\$0</b>
<b>CAA 2021: All Provisions</b>				
<b>Individual Income Tax</b>	<b>(\$41,270)</b>	<b>(\$1,540)</b>	<b>(\$1,040)</b>	<b>(\$550)</b>
<b>Corporate Franchise Tax</b>	<b>(\$16,610)</b>	<b>(\$1,880)</b>	<b>(\$650)</b>	<b>\$270</b>
<b>General Fund Total</b>	<b>(\$57,880)</b>	<b>(\$3,420)</b>	<b>(\$1,690)</b>	<b>(\$280)</b>

**Federal Update: American Rescue Plan Act of 2021  
S.F. 25, As Proposed to be Amended  
(\$000s)**

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Increase maximum unearned income for working family credit (beginning TY21)				
Individual Income Tax	(\$1,400)	(\$500)	(\$500)	(\$500)
Increase exclusion for employer-provided dependent care assistance (TY21 only)				
Individual Income Tax	(\$1,800)	\$0	\$0	\$0
Exclusion for certain forgiven student loans (TY21-TY25)				
Individual Income Tax	(\$300)	(\$100)	(\$100)	\$0
Exclusion of economic injury disaster loan advances (TY21 only)				
Individual Income Tax	(\$7,800)	(\$300)	(\$300)	(\$300)
Corporate Franchise Tax	(\$7,600)	(\$300)	(\$200)	(\$200)
Exclusion of restaurant revitalization grants (TY21 only)				
Individual Income Tax	(\$6,600)	(\$200)	(\$200)	(\$200)
Corporate Franchise Tax	(\$6,200)	(\$200)	(\$200)	(\$200)
Repeal worldwide interest allocation rules (beginning TY21)				
Corporate Franchise Tax	Unknown	Unknown	Unknown	Unknown
Deny deduction for certain highly compensated executives (beginning TY27)				
Corporate Franchise Tax	\$0	\$0	\$0	\$4,000
<b>ARPA: All Provisions</b>				
<b>Individual Income Tax</b>	<b>(\$17,900)</b>	<b>(\$1,100)</b>	<b>(\$1,100)</b>	<b>(\$1,000)</b>
<b>Corporate Franchise Tax</b>	<b>(\$13,800)</b>	<b>(\$500)</b>	<b>(\$400)</b>	<b>\$3,600</b>
<b>General Fund Total</b>	<b>(\$31,700)</b>	<b>(\$1,600)</b>	<b>(\$1,500)</b>	<b>\$2,600</b>



**Federal Update**  
**Infrastructure Investment and Jobs Act 2021**  
**S.F. 25, As Proposed to be Amended**  
**(\$000s)**

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Private Activity Bonds for Qualified Broadband Projects (beginning TY22)				
Individual Income Tax	(\$250)	(\$290)	(\$390)	(\$490)
Tax Exempt Bonds for Qualified Carbon Dioxide Capture Facilities (beginning TY22)				
Individual Income Tax	(\$40)	(\$40)	(\$70)	(\$80)
Modification of Tax Treatment of Contributions to the Capital of a Corporation (beginning TY21)				
Corporate Franchise Tax	(\$2,500)	(\$700)	(\$600)	(\$500)
<b>IIJA: All Provisions</b>				
<b>Individual Income Tax</b>	<b>(\$290)</b>	<b>(\$330)</b>	<b>(\$460)</b>	<b>(\$570)</b>
<b>Corporate Franchise Tax</b>	<b>(\$2,500)</b>	<b>(\$700)</b>	<b>(\$600)</b>	<b>(\$500)</b>
<b>General Fund Total</b>	<b>(\$2,790)</b>	<b>(\$1,030)</b>	<b>(\$1,060)</b>	<b>(\$1,070)</b>