

March 19, 2024

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

Department of Revenue  
Analysis of S.F. 4653 (Rest) / H.F. 4861 (Davids)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>
		(000's)		
General Fund	\$0	(\$121,200)	(\$122,300)	(\$121,400)

Effective beginning with tax year 2024.

**EXPLANATION OF THE BILL**

**Current Law:** Certain itemized deductions are subject to limits for high-income taxpayers. The limits apply to all itemized deductions except for deductible investment interest, casualty and theft losses, and medical expenses.

In tax year 2024, itemized deductions are reduced by 3% of adjusted gross income over \$232,500, or \$116,250 for married separate filers, plus 10% of adjusted gross income over \$321,350, or \$160,675 for married separate filers, up to a maximum of 80% of total deductions. Regardless of the limit calculated above, taxpayers with adjusted gross income over \$1,053,750 must reduce their itemized deductions by 80%.

**Proposed Law:** The bill would exclude itemized deductions for charitable contributions from the above limitations.

**REVENUE ANALYSIS DETAIL**

- In tax year 2021, total itemized deductions were about \$6.5 billion. Deductions for charitable contributions totaled about \$3.1 billion.
- The House Income Tax Simulation Model (HITS 7.4) was used to estimate the revenue impact. These simulations assume the same economic conditions used by the Minnesota Management and Budget for the budget forecast publish in February 2024. The model uses a stratified random sample of tax year 2021 income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts are allocated to the following fiscal year.

**Number of Taxpayers:** About 38,000 returns would have an average tax decrease of \$3,193 in tax year 2024.

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