

2023 REGULAR SESSION - TAX POLICY AND TAX AIDS & CREDITS SUMMARY

4/12/2023

HF 1938 (Gomez) - GOVERNOR'S TAX RECOMMENDATIONS - SUMMARY OF CHANGE ITEMS

10:45 AM

ALL FUNDS, DOLLARS IN THOUSANDS

TAX POLICY & NON GENERAL FUND CHANGE ITEMS: Positive amounts indicate revenue increase

AIDS & CREDITS: Positive amounts indicate expenditure

LINE	ITEM	Forecast	Governor (Mar 2023)		
		FY 2022-23	FY 2023	FY 2024-25	FY 2026-27
1	GENERAL FUND FORECAST:				
3	TAX POLICY (REVENUE) ¹	58,023,319	28,632,906	58,319,607	62,994,919
4	PROPERTY TAX REFUNDS, AIDS, & CREDITS (EXPENDITURES) ¹	4,641,358	2,588,446	4,434,615	4,554,597
5					
6	GENERAL FUND / NET LOAN ACTIVITY - CHANGE ITEMS:				
7	TAX POLICY			(5,469,230)	(1,425,060)
8	LESS GENERAL FUND PROPERTY TAX REFUNDS, AIDS, & CREDITS		2,589	722,613	226,267
9	LESS NET LOAN ACTIVITY (Senior Deferral)		0	210	1,040
10	SUBTOTAL PROPERTY TAX REFUNDS, AIDS CREDITS + NET LOAN ACTIVITY		2,589	722,823	227,307
11	TOTAL: GENERAL FUND / NET LOAN ACTIVITY CHANGE ITEMS		(2,589)	(6,192,053)	(1,652,367)
17					
18	NON-GENERAL FUND - CHANGE ITEMS:				
19	LEGACY FUNDS			(14,750)	-
23					
24	SUBTOTAL: NON-GENERAL FUND CHANGE ITEMS			(14,750)	-

(1) General Fund state tax revenues and expenditures are based on the Minnesota Management & Budget, February 2023 Forecast

Note: Positive numbers = revenue gains, negative numbers = revenue reduction, bracketed numbers and are not included in the total

		GOV	GOV	GOV	GOV	GOV	GOV	GOV
		FY2023	FY2024	FY2025	FY2024-25	FY2026	FY2027	FY2026-27
1	NON-DEDICATED TAX REVENUE (\$ IN THOUSANDS)							
2	<i>Tax Policy -Change Items - Summary</i>							
3	<i>Tax Policy - Change Items</i>	-	(4,686,100)	(783,130)	(5,469,230)	(724,820)	(700,240)	(1,425,060)
4	Total - General Fund, Tax Policy - All Change Items	-	(4,686,100)	(783,130)	(5,469,230)	(724,820)	(700,240)	(1,425,060)
5								
6	INDIVIDUAL INCOME TAX							
7	Change Items							
8								
9	Fed. Conformity: Limitation on Excess Business Losses (ARPA)	TY26	-	-	-	20,700	48,300	69,000
10	Fed. Conformity: Extend Limitation on Excess Business Losses (IRA)	TY27-28			-		21,400	21,400
11	Fed. Conformity: Modify Nonresident Adjustment Calculation (Ch. 1, 2023 Session)	Various	4,400	(700)	3,700	(1,000)	(1,400)	(2,400)
12	Fed. Conformity: Secure Act 2.0 - Def. Sales, Stock to An Empl. Stock Ownership Plan (see note)	TY28	-	-	-	-	-	-
13	Fed. Conformity: Secure Act 2.0 - Retirement Account Withdrawals Emergency Exp.	TY24	-	(1,300)	(1,300)	(1,300)	(1,300)	(2,600)
14	Fed. Conformity: Secure Act 2.0 - Simplified Employee Pension Plans	TY 23	(100)	(100)	(200)	(100)	(100)	(200)
15	Fed. Conformity: Secure Act 2.0 - Distributions 529 Plans to a Roth IRAs	TY24	-	(1,200)	(1,200)	(1,200)	(1,300)	(2,500)
16	Fed. Conformity: Secure Act 2.0 - Qualified Charitable Contrib. from IRA	TY23	(500)	(1,000)	(1,500)	(1,000)	(1,200)	(2,200)
17	Fed. Conformity: Secure Act 2.0 - Exclusion, First Responder Retirement Benefits (see note)	TY 27	-	-	-	-	-	-
18	Fed. Conformity: Secure Act 2.0 - Distributions from IRA for Federal Disasters	1/26/2021	(900)	(500)	(1,400)	-	-	-
19	Fed. Conformity: Secure Act 2.0 - Limit Deduction for Charitable Conserv. Easements	12/29/2022	4,200	3,300	7,500	2,800	1,900	4,700
20	Capital Gains and Dividends Income Surtax: 1.5% & 4%	TY 23	362,300	317,300	679,600	308,100	317,000	625,100
21	Direct Pymt - Refundable, Advanced Pymts (\$150K- MJ Filer Limit)	TY 23 only	(3,902,200)	-	(3,902,200)	-	-	-
22	Child Tax Credit (\$1,000/per child, \$50K - MJ Filer)	TY 23-30	(547,600)	(575,200)	(1,122,800)	(590,800)	(604,100)	(1,194,900)
23	Electric Vehicle Tax Credit	TY 23	(8,900)	(10,000)	(18,900)	(11,400)	(13,200)	(24,600)
24	Modify Child & Dependent Care Credit with Great Start Child Care Credit	TY23	(263,400)	(265,500)	(528,900)	(267,600)	(269,800)	(537,400)
25	Modify Child & Dependent Care Credit, Newborn Credit to Unmarried Filers	TY23	(1,600)	(1,600)	(3,200)	(1,600)	(1,600)	(3,200)
26	Interaction, Expand Eligibility, Newborn Credit to Non-Married Joint Filers		(16,200)	(16,400)	(32,600)	(16,600)	(16,700)	(33,300)
27	Interaction, Addition for Dependent Care Expenses		12,900	13,000	25,900	13,100	13,200	26,300
28	Modify K-12 Education Credit	TY23	(10,900)	(11,400)	(22,300)	(11,700)	(11,900)	(23,600)
29	Interaction with K-12 Education Credit: K-12 Education Subtraction		900	900	1,800	900	1,000	1,900
30	Modify Working Family Credit	TY23	(9,800)	(10,000)	(19,800)	(10,200)	(10,400)	(20,600)
31	Modify Military Tax Credit	TY23	(200)	-	(200)	-	-	-
32	Modify Social Security Subtraction	TY 23	(105,600)	(114,800)	(220,400)	(121,500)	(128,500)	(250,000)
33	Reinstate Angel Tax Credit	TY23-30	(10,000)	(10,000)	(20,000)	(10,000)	(10,000)	(20,000)
34								
35	Interactions with Property Tax, Aids and Credits ^		-	360	360	950	1,020	1,970
36								
37	Subtotal -Income Tax Change Items	-	(4,493,200)	(684,840)	(5,178,040)	(699,450)	(667,680)	(1,367,130)

Note: Positive numbers = revenue gains, negative numbers = revenue reduction, bracketed numbers and are not included in the total

		GOV	GOV	GOV	GOV	GOV	GOV	GOV
		FY2023	FY2024	FY2025	FY2024-25	FY2026	FY2027	FY2026-27
38	NON-DEDICATED TAX REVENUE (\$ IN THOUSANDS)	EFFECTIVE						
39	CORPORATE FRANCHISE TAX							
40	<i>Change Items</i>							
41	Reinstate the Historic Rehabilitation Tax Credit	FY22-30	(700)	(3,100)	(3,800)	(8,100)	(14,700)	(22,800)
42	Interactions with Property Tax, Aids and Credits ^		-	420	420	320	230	550
43								
44	Subtotal - Corporate Franchise Tax, Change Items		-	(700)	(2,680)	(3,380)	(7,780)	(14,470)
45								
46	SALES AND USE TAXES**							
47								
48	<i>Change Items</i>							
49	Remove Exemption for Edible Cannabinoid Products, Exempt Entities	7/1/2023	10	10	20	10	10	20
50	Exemption, Construction Materials - Local Gov'ts & Nonprofits	7/1/21 to 12/31/24	(177,110)	(78,520)	(255,630)	-	-	-
50								
51	LAWFUL GAMBLING TAXES							
52	<i>Change Items</i>							
53	Combined Net Receipt Tax, Rate Reduction	7/1/2023	(13,600)	(15,600)	(29,200)	(16,100)	(16,600)	(32,700)
54								
55	Subtotal - Lawful Gambling Taxes, Change Items		-	(13,600)	(15,600)	(29,200)	(16,100)	(16,600)
56								
57	OTHER TAX REVENUE							
58	<i>Change Items</i>							
59	Repeal \$50 Fee for Payment Agreement Plan	DFE	(1,500)	(1,500)	(3,000)	(1,500)	(1,500)	(3,000)
60	Subtotal - Other Tax Revenue, Change Items		-	(1,500)	(1,500)	(3,000)	(1,500)	(1,500)

Commonly used spreadsheet acronyms and other notations:

Federal Conformity "ARPA" deinotes American Rescue Plan (Public Law 117-2)

Federal Conformity "IRA" denotes Inflation Reduction Act

** Non general fund revenue impacts

"Negli." denotes negligible cost/savings of plus or minus \$5,000

"Feb-23" denotes current law estimates based on MMB's February 2023 Forecast

^^ The estimates in brackets "[]"are not included in the total.

^ Interactions with Property Taxes, Fiscal Impact in Appendix B

"DFE" denotes a provision is effective day following enactment

"DOR" Minnesota Department of Revenue

These provisions have fiscal impact outside the budget forecast window: (1) Secure Act; Exclusion of First Responder Retirement Benefits starting in FY29; (2) Secure Act:Sales of Employee Stock to an Employer Stock Ownership Plan starting in FY 28.

2023 Legislature - HF 1938 (Gomez)

Changes to General Fund Tax Aids, Credits & Refunds - 2023 February Forecast

Dollars in Thousands

Note: Positive numbers are program expenditures/revenue losses, negative numbers are cost savings/revenue gains. [] brackets are for reference only and not included in totals.

Change Item Description		Effective Date	GOV	GOV	GOV	GOV	GOV	GOV	GOV
			FY2023	FY2024	FY2025	FY2024-25	FY2026	FY2027	FY2026-27
GENERAL FUND SUMMARY									
1	Property Tax Aids, Credits and Refunds								
2	February 2023 forecast		2,588,446	2,197,802	2,236,813	4,434,615	2,263,356	2,291,241	4,554,597
3	HF 1938 OTB -Total Proposed GF Changes		2,589	582,085	140,528	722,613	109,905	116,362	226,267
	HF 1938 OTB -Total Proposed Net Loan Activity Changes		0	0	210	210	520	520	1,040
	Subtotal GF + Net Loan Activity Proposed Changes		2,589	582,085	140,738	722,823	110,425	116,882	227,307
6	Property Tax Aids, Credits and Refunds - February 2023 + HF 1938 Chgs		2,591,035	2,779,887	2,377,551	5,157,438	2,373,781	2,408,123	4,781,904
7									
8	PROPERTY TAX REFUNDS								
9	Homestead Credit State Refund (HCSR) PTR changes								
10	Expand Homestead to Indiv taxpayer ID number (ITIN)	App filed 2023, cty data 2024			2,000	2,000	2,000	2,000	4,000
29	Other HCSR Aid/Credit change related PTR interactions								
30	PTR interaction - LGA approp increase	Pay 2024			(1,090)	(1,090)	(1,090)	(1,090)	(2,180)
31	PTR interaction - CPA approp increase	Pay 2024			(1,090)	(1,090)	(1,090)	(1,090)	(2,180)
36									
37	Subtotal - Homestead Credit State Refund PTR changes		0	0	(180)	(180)	310	810	1,120
44	AIDS AND CREDITS								
45	Local Aid changes								
46	Local Government Aid approp increase	Pay 2024			40,000	40,000	40,000	40,000	80,000
49									
50	City of Mahnomen Property Tax Reimbursement Aid increase	Pay 2023			160	160	160	160	320
53									
54	County Program Aid appropriation increase	Pay 2024			40,000	40,000	40,000	40,000	80,000
55									
68	Soil and Water Conservation District Aid	Pay 2023		12,000	12,000	24,000	12,000	12,000	24,000
69	Subtotal - Local Aid changes		0	562,000	92,160	654,160	92,160	92,160	184,320

2023 Legislature - HF 1938 (Gomez)

Changes to General Fund Tax Aids, Credits & Refunds - 2023 February Forecast

Dollars in Thousands

Note: Positive numbers are program expenditures/revenue losses, negative numbers are cost savings/revenue gains. [] brackets are for reference only and not included in totals.

Change Item Description		Effective Date	GOV	GOV	GOV	GOV	GOV	GOV	GOV
			FY2023	FY2024	FY2025	FY2024-25	FY2026	FY2027	FY2026-27
70	<u>Property Tax Credit changes</u>								
71									
72	Increase School Building Bond Agricultural Credit to 85%	Pay 2025				0	17,100	23,200	40,300
73	Subtotal - Property Tax Credit changes		0	0	0	0	17,100	23,200	40,300
74	<u>Other changes</u>								
82	MN Department of Revenue Administration	DFE	<u>2,589</u>	<u>20,085</u>	<u>4,548</u>	<u>24,633</u>	<u>335</u>	<u>192</u>	<u>527</u>
85	Subtotal - Other changes		2,589	20,085	48,548	68,633	335	192	527
86									
87	Total General Fund, Tax Aids, Credits & Refunds		\$2,589	\$582,085	\$140,528	\$722,613	\$109,905	\$116,362	\$226,267
88	Net Loan Activity								
89	Senior citizens' property tax deferral requirements: lower occupancy requirement to 5 years, increase HH income to \$75K - PTR interaction	Pay 2024			210	210	520	520	1,040
91	Total GF + Net Loan Activity, Tax Aids, Credits & Refunds		2,589	582,085	140,738	722,823	110,425	116,882	227,307
93									
94	GF Summary PTAC		<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2024-25</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2024-25</u>
95	Subtotal - Homestead Credit State Refund PTR changes		0	0	(180)	(180)	310	810	1,120
96	Subtotal - Renter / Targeting PTR changes		0	0	0	0	0	0	0
97	Subtotal - Local Aid changes		0	562,000	92,160	654,160	92,160	92,160	184,320
98	Subtotal - Property Tax Credit changes		0	0	0	0	17,100	23,200	40,300
99	Subtotal - Other changes		<u>2,589</u>	20,085	48,548	68,633	335	192	527
100	TOTAL GF Changes, Property Tax Aids & Credits		2,589	582,085	140,528	722,613	109,905	116,362	226,267

HF 1938 (Gomez) Non General Fund Tax Revenue - Summary of Change Items, February (Feb 2023) Forecast

Note: Positive numbers = revenue gains, negative numbers = revenue reduction, bracketed numbers and are not included in the total

HF		EFFECTIVE	GOV FY2023	GOV FY2024	GOV FY2025	GOV 24-25	GOV FY2026	GOV FY2027
HF1938, Gomez	Total Non General Fund		(10,220)	(4,530)	(14,750)	-	-	-
	Total - Legacy Funds:		(10,220)	(4,530)	(14,750)	-	-	-
	Remove Exemption for Edible Cannabinoid Products, Exempt Entities	7/1/2023	negli.	negli.	negli.	negli.	negli.	negli.
HF1938, Gomez	Temp. Construction Mats. Exemption - Local Gov'ts & Nonprofits	7/1/21 to 12/31/24	(10,220)	(4,530)	(14,750)	-	-	-

APPENDIX B - HF 1938 (Gomez) PROPERTY TAX INTERACTIONS *

All Numbers in Thousands

Note: Positive numbers represent revenue gains , negative numbers or numbers in parenthesis represent revenue losses, numbers in brackets are for reference only and are not included in the total

	Effective Date	Gov FY 2024	Gov FY 2025	Gov FY2024-25	Gov FY2026	Gov FY2027	Gov FY2026-27
-1		-	780	780	1,270	1,250	2,520
0							
1	Individual Income Tax	-	360	360	950	1,020	1,970
2	Corporate Franchise Tax	-	420	420	320	230	550
3							
4	Interactions with Property Taxes - Detail						
5	Individual Income Tax - Subtotal	-	360	360	950	1,020	1,970
6	Modify Local Government Aid	-	180	180	180	180	360
7	Modify County Program Aid		180	180	180	180	360
8	Modify Agricultural Building Bond Credit			-	590	660	1,250
10				-			-
11	Corporate Franchise Tax - subtotal	-	420	420	320	230	550
12	Modify Local Government Aid		210	210	210	210	420
13	Modify County Program Aid		210	210	210	210	420
14	Modify Agricultural Building Bond Credit			-	(100)	(190)	(290)
15				-			-
* Note: Interactions - With changes to property tax, aids and credits, DOR Tax Research estimates assume that changes to property taxes, aids and credit will result in changes to income tax deductions, changing revenue to the general fund.							