

March 10, 2026

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

Department of Revenue  
Analysis of H.F. 3817 (Anderson, P.E.)

	<b>Fund Impact</b>			
	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>	<b>F.Y. 2028</b>	<b>F.Y. 2029</b>
	(000's)			
Individual Income Tax	\$0	\$6,200	\$11,700	\$7,000
Corporate Franchise Tax	\$0	\$12,600	\$24,000	\$14,200
General Fund Total	\$0	\$18,800	\$35,700	\$21,200

Effective retroactively beginning with tax year 2025.

**EXPLANATION OF THE BILL**

**Current Law:** Federal law allows a taxpayer to claim bonus depreciation equal to 100% of qualifying property. Under prior law, the eligible percentage of qualifying property was reduced to 80% in 2023, 60% in 2024, 40% in 2025, and 20% in 2026 and is phased out completely in 2027.

P.L. 119-21 increased the deduction to 100% of property acquired after January 19, 2025. It also expanded the definition of qualified property to include qualified production property, which is nonresidential real property used in production.

Minnesota requires 80% of the federal bonus depreciation deduction to be added back in the first year, with a subtraction of that amount allowed in equal parts over the next five tax years. Because Minnesota has not conformed to the federal law changes, taxpayers must make additional adjustments for the amount of bonus depreciation allowed federally and the amount allowed under Minnesota law.

The bill would conform to the expansion of bonus depreciation in P.L. 119-21, maintaining the current 80% addition and subtractions over five years. The estimate includes Section 70301, but not Sections 70307 (which expands bonus depreciation to include qualified production property) or Section 70434 (which applies to sound recording productions).

**Proposed Law:** The bill would conform to the expansion of bonus depreciation in P.L. 119-21, maintaining the current 80% addition and subtractions over five years.

**REVENUE ANALYSIS DETAIL**

- The estimate is based on the estimate of the federal impact of P.L. 119-21 prepared by the staff of the Joint Committee on Taxation, dated July 1, 2025. The estimate was apportioned to Minnesota and adjusted for the difference between federal and state tax rates and federal and state fiscal years.

**REVENUE ANALYSIS DETAIL (Cont.)**

- Adjustments were made for additions and subtractions in each tax year beginning in tax year 2025.
- Retroactive impacts were allocated to fiscal year 2027.

**Number of Taxpayers:** About 12,700 corporate franchise tax returns and 51,600 individual income tax returns.

Minnesota Department of Revenue  
Tax Research Division  
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hf3817 Federal Update Bonus Depreciation / cw