

Minnesota House of Representatives - House Fiscal Analysis Department

2022 REGULAR SESSION - TAX POLICY AND TAX AIDS & CREDITS - SUMMARY OF CHANGE ITEMS

Updated: 2/22/22 9:26 AM

HF 3669 - Governor's Supplemental Budget Recommendations - January 2022

ALL FUNDS, Dollars in thousands

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

AIDS & CREDITS CHANGE ITEMS: Positive amounts indicate expenditure

LINE	ITEM	Actual FY 2021-22	HF 3669 Gov Suppl Budget (Jan 2022)	
			FY 2022-23	FY 2024-25
	<u>GENERAL FUND FORECAST:</u>			
1	TAX POLICY (REVENUE) ¹	47,737,661	53,440,332	57,825,811
2	PROPERTY TAX REFUNDS, AIDS, & CREDITS (EXPENDITURES) ¹	3,892,681	4,168,586	4,367,225
3				
4	<u>GENERAL FUND - CHANGE ITEMS:</u>			
5	TAX POLICY		(236,580)	(253,540)
6	LESS PROPERTY TAX REFUNDS, AIDS, & CREDITS		834,273	243,361
7	SUBTOTAL: GENERAL FUND CHANGE ITEMS		(1,070,853)	(496,901)
8				
9				
10	<u>NON-GENERAL FUND - CHANGE ITEMS:</u>			
11	LEGACY FUNDS		(5,500)	(8,200)
12	SUBTOTAL: NON-GENERAL FUND CHANGE ITEMS		(5,500)	(8,200)

(1) General Fund state tax revenues are based on the November 2021 Forecast

Minnesota House of Representatives - House Fiscal Analysis Department

2022 Legislature - HF 3669 - Governor's Tax Policy Recommendations - General Fund Tax Revenue - November 2021 (Nov-21) Forecast

General Fund Summary (all dollars in thousands)

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

NON DEDICATED TAX REVENUE	EFFECTIVE	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21
		FY2022	FY2023	FY2022-23	FY2024	FY2025	FY2024-25
Total - General Fund, Tax Policy - Change Items		-	(236,580)	(236,580)	(129,840)	(123,700)	(253,540)
Individual Income Tax							
Change Items - Federal Conformity							
*FCAA: Expansion of Section 529 Plans	Retro, Beginning TY		(530)		(160)	(160)	
*CARES: Increase Limitation on Charitable Deduction Limit for Food Inventory from 15% to 25%	TY 20 only		(190)	(190)	40	10	50
*CARES: Inclusion of certain over-the-counter medical products as qualified medical expenses	Beginning TY 20	-	(Negli.)	(Negli.)	(Negli.)	(Negli.)	(Negli.)
*CAA: Exclusion of Discharge of Indebtedness on Qualified Principal Residence	TY 21-25		(2,800)	(2,800)	(1,600)	(1,600)	(3,200)
*CAA: Exclusion of Benefits for Volunteer Firefighters & Emergency Medical Responders	TY 21 only		(590)	(590)	(400)	(400)	(800)
*CAA: Exclusion of Certain Employer Student Loan Payments	TY 21-25		(13,900)	(13,900)	(7,300)	(7,400)	(14,700)
*CAA: Partial Above the Line Deduction of Charitable Contributions	TY 21 only		(13,900)	(13,900)	-	-	-
*CAA: Increase Limitation on Charitable Contributions Deductions, 60% to 100% of FAGI	TY 21 only	-	(6,500)	(6,500)	2,700	1,200	3,900
*CAA: Special disaster-related rules for use of retirement funds	TY 21 only		(10)	(10)	10	-	10
*CAA: Temporary increase in limitation on qualified contributions	TY 21-22		(900)	(900)	(400)	(400)	(800)
*CAA: Exclusion of SBA Loan Assistance	TY 21		(2,700)	(2,700)	(300)	(100)	(400)
*CAA: Exclusion of Shuttered Venue Grants	TY 21		(2,300)	(2,300)	(400)	(200)	(600)
*CAA: Accelerated Depreciation for Business Property on Indian Reservation	TY21		(80)	(80)	(10)	(Negli.)	(10)
*CAA: Depreciation of Certain Residential Rental Property over 30 years	Retro, Begins TY		(8,200)	(8,200)	(1,100)	(900)	(2,000)
*CAA: Special Expensing Rules for Certain Film, Television and Live Theatrical Productions	TY 21-25		(3,300)	(3,300)	(600)	(600)	(1,200)
*CAA: Energy-Efficient Commercial Building Deduction	Begins TY 21		(410)	(410)	(200)	(200)	(400)
*CAA: Special Rule for the Production Period for Beer, Wine and Distilled Spirits	Begins TY 21		(120)	(120)	(40)	(40)	(80)
*ARPA: Employer-Provided Dependent Care Assistance, Exclusion Increased	TY 21 only		(760)	(760)			-
*ARPA: Discharged (Forgiven) Student Loans, Exclusion Provided	TY 21-25		(200)	(200)	(100)	(100)	(200)
*ARPA: Increase maximum unearned income for Working Family Credit	TY 21		(900)	(900)	(500)	(500)	(1,000)
*ARPA: Exclusion of EIDL Loan Advances	TY 21 only		(5,800)	(5,800)	(600)	(300)	(900)
*ARPA: Exclusion of Restaurant Revitalization Grants	TY 21 only		(4,200)	(4,200)	(400)	(200)	(600)
*IIJA: Private Activity Bonds for Qualified Broadband Projects	Beginning TY22	-	(80)	(80)	(170)	(290)	(460)
*IIJA: Tax Exempt Bonds for Qualified Carbon Dioxide Capture Facilities	Beginning TY22	-	(20)	(20)	(20)	(40)	(60)
Subtotal - Change Items - Federal Conformity		-	(68,390)	(68,390)	(11,550)	(12,220)	(23,770)
Change Items							
K-12 Education Tax Credit: Phaseout from Household Income to FAGI, Phaseout Threshold Increased	TY 2022	-	(13,300)	(13,300)	(13,800)	(14,100)	(27,900)
K-12 Education Tax Credit: Interactions with Household Income and Phase-out Threshold Changes		-	1,100	1,100	1,100	1,100	2,200
Child & Dependent Care Tax Credit: Increase Tax Credit by 30 percent	TY22 -23 only	-	(8,200)	(8,200)	(8,400)	-	(8,400)
Child & Dependent Care Tax Credit: Increase Phaseout Threshold and Index Threshold in TY 2023	TY 22	-	(5,700)	(5,700)	(6,100)	(6,500)	(12,600)
Child & Dependent Care Tax Credit: Interactions with Tax Credit and Phaseout Threshold Changes		-	(1,600)	(1,600)	(1,600)		(1,600)
Child & Dependent Care Tax Credit: Expand Eligibility for Newborn Tax Credit	TY 22		(1,400)	(1,400)	(1,400)	(1,500)	(2,900)
Child & Dependent Care Tax Credit: Interactions with Newborn Tax Credit Expansion			(1,000)	(1,000)	(1,000)	(400)	(1,400)
Working Family Tax Credit: Expand Eligibility to Include ITIN Taxpayers	TY 22		(9,800)	(9,800)	(10,400)	(10,400)	(20,800)

Minnesota House of Representatives - House Fiscal Analysis Department

2022 Legislature - HF 3669 - Governor's Tax Policy Recommendations - General Fund Tax Revenue - November 2021 (Nov-21) Forecast

General Fund Summary (all dollars in thousands)

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

NON DEDICATED TAX REVENUE	EFFECTIVE	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21
		FY2022	FY2023	FY2022-23	FY2024	FY2025	FY2024-25
Small Business Investment (Angel) Tax Credit: Extend the Sunset Date with a Capped Allocation	TY 22-30		(7,000)	(7,000)	(5,000)	(5,000)	(10,000)
Public Safety Aid: Interaction with Property Taxes					470	470	940
Subtotal - Change Items		-	(46,900)	(46,900)	(46,130)	(36,330)	(82,460)
Corporate Franchise Tax							
Change Items - Federal Conformity							
*FCAA: Seven-Year Recovery Period for Motorsports Entertainment Complexes	TY18-20		(360)	(360)	(40)	(20)	(60)
*CARES: Modification of Limitation on Charitable Contributions Deductions, 10% to 20% of FTI	TY 20 only		(550)	(550)	170	100	270
*CARES: Increase Limitation on Charitable Deduction Limit for Food Inventory from 15% to 25%	TY 20 only		(90)	(90)	30	-	30
*CAA: Exclusion of SBA Loan Assistance	TY 21	-	(2,500)	(2,500)	(100)	(100)	(200)
*CAA: Exclusion of Shuttered Venue Grants	TY 21		(2,300)	(2,300)	(400)	(200)	(600)
*CAA: Seven-Year Recovery Period for Motorsports Entertainment Complexes	TY 21-25	-	(190)	(190)	(100)	(110)	(210)
*CAA: Accelerated Depreciation for Business Property on Indian Reservation	TY 21		(60)	(60)	(10)	-	(10)
*CAA: Depreciation of Certain Residential Rental Property over 30 years	2018		(4,100)	(4,100)	(500)	(400)	(900)
*CAA: Special Expensing Rules for Certain Film, Television and Live Theatrical Productions	TY 21-25		(3,800)	(3,800)	(700)	(700)	(1,400)
*CAA: Energy-Efficient Commercial Building Deduction	Begins TY 21		(660)	(660)	(320)	(320)	(640)
*CAA: Special Rule for the Production Period for Beer, Wine and Distilled Spirits	Begins TY 21		(180)	(180)	(70)	(70)	(140)
*CAA: Special disaster-related rules for qualified disaster-related personal casualty losses	TY 21-22		(100)	(100)	30	20	50
*ARPA: Exclusion of EIDL Loan Advances	TY 21 only		(5,800)	(5,800)	(600)	(300)	(900)
*ARPA: Exclusion of Restaurant Revitalization Grants	TY 21 only		(4,100)	(4,100)	(400)	(200)	(600)
*ARPA: Worldwide Interest Allocation Rules, Repeal	Beginning TY21		Unknown	Unknown	Unknown	Unknown	Unknown
*IJA: Modification of Tax Treatment of Contributions to the Capital of a Corporation	Beginning TY21	-	(1,700)	(1,700)	(800)	(700)	(1,500)
Subtotal - Change Items - Federal Conformity		-	(26,490)	(26,490)	(3,810)	(3,000)	(6,810)
Change Items							
Public Safety Aid: Interaction with Property Taxes					550	550	1,100
Subtotal - Tax Law Changes		-	-	-	550	550	1,100
Sales and Use Tax							
Change Items							
Exemption by Refund, Construction Mats. Purchased by a Contractor, Local Govts & Nonprofits	Retroactive 7/1/21	-	(94,800)	(94,800)	(68,900)	(72,700)	(141,600)
Added to base, Adult-Use Cannabis^^	1/1/2024				[5,800]	[19,400]	[25,200]
Subtotal - Change Items		-	(94,800)	(94,800)	(68,900)	(72,700)	(141,600)
TOTAL - SALES AND USE TAXES		6,516,379	6,999,645	13,516,024	7,252,022	7,524,546	14,776,568

Minnesota House of Representatives - House Fiscal Analysis Department

2022 Legislature - HF 3669 - Governor's Tax Policy Recommendations - General Fund Tax Revenue - November 2021 (Nov-21) Forecast

General Fund Summary (all dollars in thousands)

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

NON DEDICATED TAX REVENUE	EFFECTIVE	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21
		FY2022	FY2023	FY2022-23	FY2024	FY2025	FY2024-25
Other Net Tax Revenue							
Current Law, Forecast							
Taconite Occupation Tax		16,800	15,500	32,300	15,500	15,500	31,000
Mortgage Registry Tax		210,383	190,589	400,972	180,234	169,492	349,726
Deed Transfer Tax		187,590	186,692	374,282	187,696	194,079	381,775
Controlled Substance Tax		5	5	10	5	5	10
Other Gross Earnings		50	50	100	50	50	100
Medical Assistance Surcharges		333,797	350,365	684,162	365,983	383,903	749,886
Other Tax Refunds		(5,503)	(5,203)	(10,706)	(5,203)	(5,203)	(10,406)
Subtotal - Current Law		743,122	737,998	1,481,120	744,265	757,826	1,502,091
<i>Change Items</i>							
Impose 10 Percent Liquor Gross Receipts Tax, Adult-Use Cannabis^^	1/1/2024	-	-	-	[8,900]	[29,800]	[38,700]
Subtotal - Tax Law Changes		-	-	-	-	-	-
TOTAL - OTHER NET REVENUE		743,122	737,998	1,481,120	744,265	757,826	1,502,091

sources:

MMB General Fund Balance Analysis, 2022 Governor's Recommendations, January 26, 2022

*Federal Conformity Act Acronyms:

- FCAA: Further Consolidated Appropriations Act (Public law 11-94)
- CARES: Coronavirus, Aid, Relief and Security Act (Public Law 116-127)
- CAA: Consolidated Appropriations Act (Public Law 116-260)
- ARPA: American Rescue Plan (Public Law 117-2)
- IJA: Infrastructure, Investment and Jobs Act (Public Law - 117-58)

Spreadsheet acronyms:

- "Negli." denotes negligible cost/savings
- "Nov- 21" denotes current law estimates based on MMB's November 2021 Forecast
- "^^" The estimates are bracketed and are not included in the total. The estimates will be tracked by a committee other than the House Tax Committee and are intended for reference only.

Minnesota House of Representatives - House Fiscal Analysis Department

2022 Legislature - HF 3669 Governor's January 2022 Recommendations - November 2021 Forecast

General Fund - Tax Refunds, Aids & Credits

As of 2.10.2022

All Numbers in Thousands

Note: Positive numbers are program expenditures; negative numbers are cost savings.

Change Item Description	Actual	HF 3669 - GOV Jan 2022			HF 3669 - GOV Jan 2022		
	FY2020-21	FY2022	FY2023	FY 2022-23	FY2024	FY2025	FY 2024-25
GENERAL FUND SUMMARY							
November 2021 forecast	\$3,892,681	\$2,079,740	\$2,088,845	\$4,168,586	\$2,166,212	\$2,201,012	\$4,367,225
<i>Governor Jan 2022 Rec - Total Changes Tax Aids & Credits</i>	<u>0</u>	<u>7,752</u>	<u>826,521</u>	<u>834,273</u>	<u>121,609</u>	<u>121,752</u>	<u>243,361</u>
Total Property Tax Aids & Credits - Gov Jan 22 + Nov 21	\$3,892,681	2,087,492	\$2,915,366	\$5,002,859	2,287,821	\$2,322,764	\$4,610,586
GENERAL FUND - DETAIL							
1 Homestead Credit State Refund (PTR)							
Chg Item: Expand Homestead Benefits Allow ITIN		0	0	0	1,800	1,800	3,600
Chg Item: Public Safety Aid (PTR interaction)		0	0	0	(2,630)	(2,630)	(5,260)
Chg Item: Agriculture Product Definition - Include Hemp (PTR intctn)		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30</u>	<u>30</u>
Chg Item Subtotal: HCSR PTR		0	0	0	(830)	(800)	(1,630)
2 Public Safety Aid to Local Governments							
Chg Item: Public Safety Aid to counties, cities, tribes plus PTR interaction (see above)		0	100,000	100,000	100,000	100,000	200,000
3 Soil Water Conservation District Aid							
Chg Item: Soil Water Conservation District Aid Also see Clean Water Fund reduction (one-time)		0	22,000	22,000	22,000	22,000	44,000
4 Agriculture Product Definition - Include Hemp							
Chg Item: Ag Hmstd Market Value Credit		0	0	0	0	10	10
Chg Item: School Building Bond Credit plus PTR interaction (see above)		0	0	0	0	30	30
4 Senior Property Tax Deferral - Increase Income threshold							
Chg Item: Direct Payments to Minnesotans		0	703,700	703,700	0	0	0

Minnesota House of Representatives - House Fiscal Analysis Department

2022 Legislature - HF 3669 Governor's January 2022 Recommendations - November 2021 Forecast

General Fund - Tax Refunds, Aids & Credits

As of 2.10.2022

All Numbers in Thousands

Note: Positive numbers are program expenditures; negative numbers are cost savings.

Change Item Description	Actual	HF 3669 - GOV Jan 2022			HF 3669 - GOV Jan 2022		
	FY2020-21	FY2022	FY2023	FY 2022-23	FY2024	FY2025	FY 2024-25
6 Department of Revenue - administration							
Chg Item: Governor's 2022 Tax bill administration		<u>7,752</u>	<u>821</u>	<u>8,573</u>	<u>389</u>	<u>382</u>	<u>771</u>
Total Changes Property Tax Aids & Credits - Gov Jan 22		\$7,752	\$826,521	\$834,273	\$121,609	\$121,752	\$243,361

Minnesota House of Representatives - Fiscal Analysis Department

2022 Legislature - HF 3669 - Governor's Tax Policy Recommendations - Non General Fund Tax Revenue - November 2021 (Nov-21) Forecast

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

	EFFECTIVE	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21	Nov-21
		FY2022	FY2023	FY2022-23	FY2024	FY2025	FY2024-25
1 Total Non General Fund		-	(5,500)	(5,500)	(4,000)	(4,200)	(8,200)
2 Total - Legacy Funds:1		-	(5,500)	(5,500)	(4,000)	(4,200)	(8,200)
3 Exemption by Refund, Construction Mats. Purchased by a Contractor, Local Govts & Nonprofits		-	(5,500)	(5,500)	(4,000)	(4,200)	(8,200)
4 Added to base, Adult-Use Cannabis^^	Retroactive 7/1/21 1/1/2024				[300]	[1,100]	[1,400]
5							
6							
7							

(1) Amounts in the Legacy funds aggregate the revenue changes that affect these funds: outdoor heritage; arts and cultural heritage; clean water and parks and trails.

^^ The estimates are bracketed and are not included in the total. The estimates will be tracked by a committee other than the House Tax Committee and are intended for reference only.