



**Invest in Minnesota**  
COALITION

**SECTION 179**



# Invest in Minnesota coalition

## Help small businesses and farmers: Adopt full conformity with Section 179

**M**innesota farmers and small businesses are hit with retroactive state income tax increases due to the state's failure to conform with federal Section 179 business expensing provisions. What's worse, these tax increases are hitting many when they are also experiencing losses due to circumstances beyond their control including bad weather, crop loss, tariffs and trade-tax increases when Minnesota has a \$1.3 billion budget surplus.

A statewide coalition of more than 70 organizations supports full conformity with Section 179:

- **Helps small businesses and farmers reinvest** in Minnesota to help grow our economy.
- **Fixes** retroactive tax increases.
- **Improves Minnesota's competitiveness** as most states, including all of our neighbors, have full conformity.
- **Reduces tax compliance** costs and complexity.
- **Prevents Minnesota taxpayers** from paying more in state taxes than they do on their federal income tax returns.

What is Section 179? Section 179 refers to the portion of the federal income tax code that determines when businesses can deduct the cost of purchasing certain equipment. Minnesota allows \$25,000 for immediate expensing, while the federal

government and most states allow \$1 million in immediate expensing.\* This is a timing issue for the deduction and does not permanently lower tax burdens, although some Minnesota taxpayers with future year losses may not be able to fully use the deduction due to the inability to carry forward the deduction.

The 2019 Minnesota tax bill enacted retroactive state income tax increases on many farmers and businesses by conforming to the tax increases from the Federal Tax Cuts and Jobs Act – but did so without adopting most of the federal offsets. Minnesota fully conformed with 1031 federal like-kind exchange rules resulting in an increase in income tax liability for trade-in of certain equipment, but Minnesota did not conform with the tax offset of Section 179 immediate expensing. As a result, many businesses and farmers are getting hit with unexpected tax bills due to the now taxable income gain (phantom income) from the trade-in on equipment but without the ability to expense the purchase due to the lack of Section 179 conformity. Minnesota taxpayers may now pay more in state income taxes than at the federal level or in most other states when they are investing in equipment. ■

\* Under Minnesota law, 80% of the amount of the equipment purchased in excess of \$25,000 is added back to the taxpayer's Minnesota income in the year of the purchase. Taxpayers are allowed to deduct as an expense on their Minnesota income tax 20% of that deduction in excess of \$25,000 over the next five years.

**Let's invest in Minnesota's farmers and small businesses, and their employees!**

**Ask the Governor and Legislators to provide much-needed relief by fully conforming with Section 179 business expensing in the 2020 session!**

# Coalition members



## FEDERATION

### MINNESOTA CHAMBER OF COMMERCE

Albert Lea Freeborn County Chamber of Commerce  
 Alexandria Lakes Area Chamber of Commerce  
 Apple Valley Chamber of Commerce  
 Austin Area Chamber of Commerce  
 Bemidji Chamber of Commerce  
 Brainerd Lakes Chamber  
 Burnsville Chamber of Commerce  
 Cloquet Chamber of Commerce  
 Cuyuna Lakes Chamber of Commerce  
 Dakota County Regional Chamber of Commerce  
 Duluth Area Chamber of Commerce  
 East Grand Forks/Grand Forks Chamber of Commerce  
 Eden Prairie Chamber of Commerce  
 Elk River Area Chamber of Commerce

Faribault Area Chamber of Commerce and Tourism  
 Grand Rapids Area Chamber  
 Greater Mankato Growth Inc.  
 Hastings Area Chamber of Commerce and Tourism Bureau  
 Hibbing Area Chamber of Commerce  
 International Falls Chamber of Commerce  
 Lakeville Area Chamber of Commerce and CVB  
 Laurentian Chamber of Commerce  
 Litchfield Chamber of Commerce  
 Marshall Area Chamber of Commerce  
 MetroNorth Chamber of Commerce  
 Minnesota Chamber of Commerce  
 New Ulm Area Chamber of Commerce  
 Northfield Area Chamber of Commerce

Owatonna Area Chamber of Commerce and Tourism  
 Pipestone Area Chamber of Commerce  
 River Heights Chamber of Commerce  
 Rochester Area Chamber of Commerce  
 Shakopee Area Chamber  
 Southwest Metro Chamber of Commerce  
 St. Cloud Area Chamber of Commerce  
 Twin Cities North Chamber of Commerce  
 TwinWest Chamber of Commerce  
 Waconia Chamber of Commerce  
 Waseca Chamber of Commerce  
 White Bear Area Chamber of Commerce  
 Willmar Lakes Area Chamber of Commerce



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