



Fiscal Highlights of Major Tax Provisions in Chapter 64

HF 1938 - CONFERENCE COMMITTEE REPORT

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Today's Presentation Areas on Chapter 64

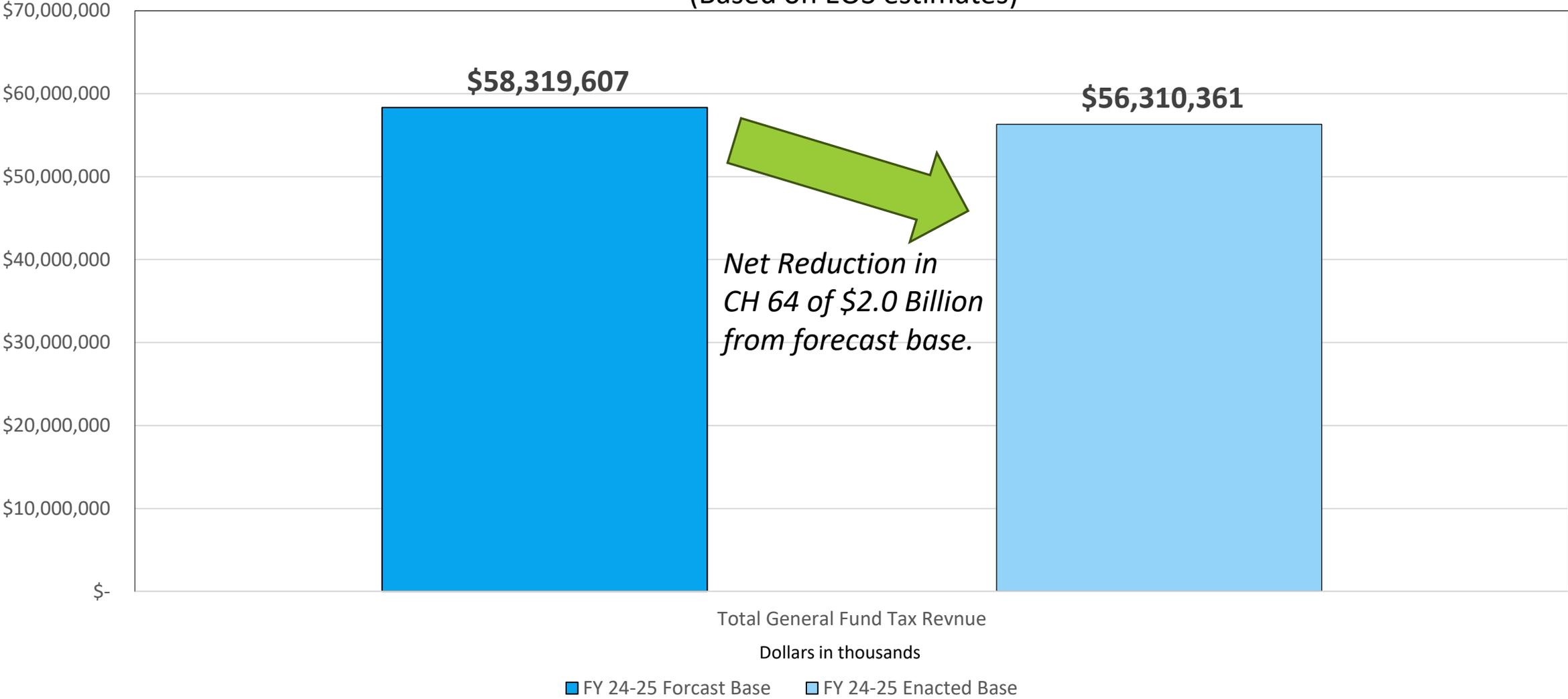
- General Fund Tax Revenue Budget Changes
 - Highlights of major changes by Tax Type:
 - Individual income tax, including federal conformity
 - Corporate franchise tax
 - Sale and use tax
 - Other provisions
- Property Tax, Aids & Credits Budget Changes
 - Highlights to major changes by Expenditure:
 - Property tax refunds
 - Aids & Credits
 - Other areas

General Fund Tax Revenue

CHAPTER 64 BUDGET CHANGES

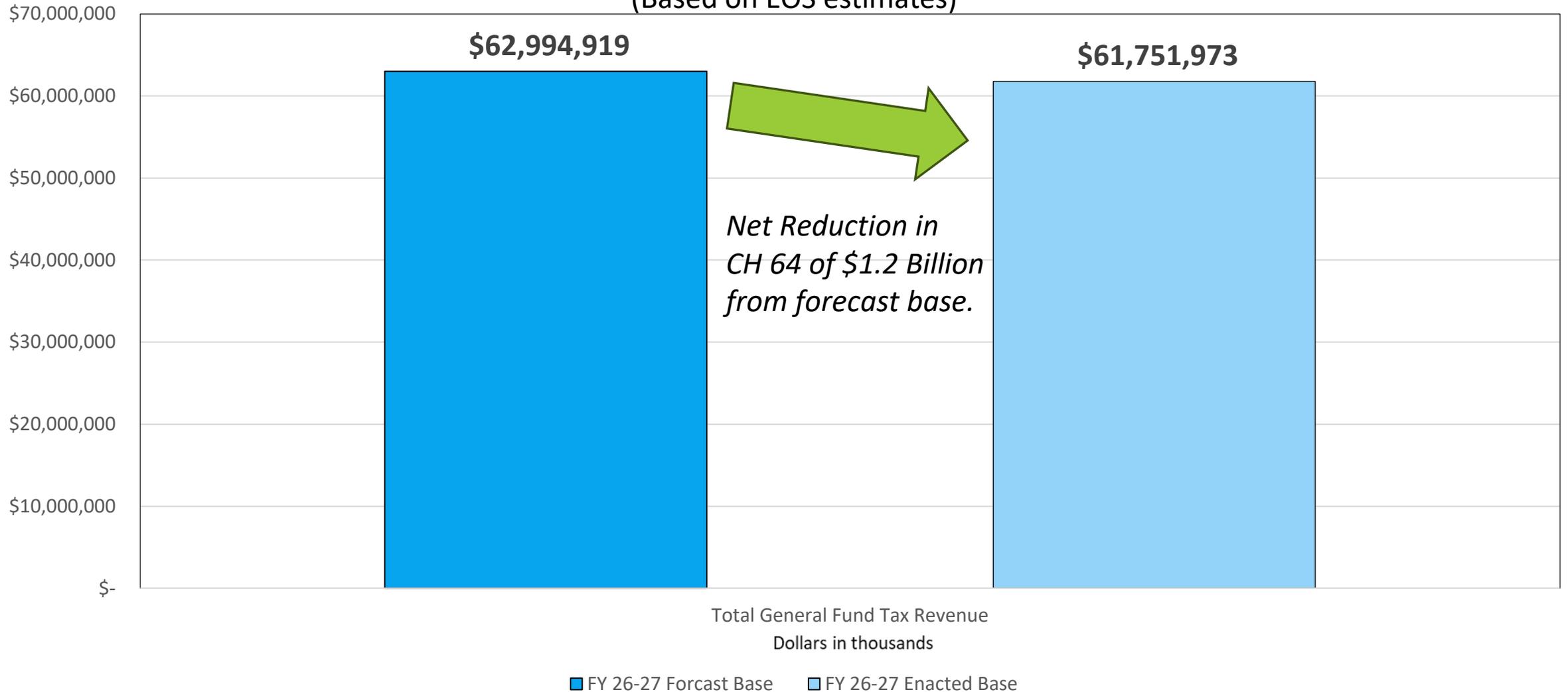
General Fund Tax Revenue: Chapter 64 Compared to Forecasted Tax Revenue for FY 2024-25 Biennium

(Based on EOS estimates)



General Fund Tax Revenue: Chapter 64 Compared to Forecasted Tax Revenue for FY 2026-27 Biennium

(Based on EOS estimates)



Chapter 64: General Fund Tax Revenues Changes by Tax Type

HIGHLIGHTS

Individual Income Tax Changes

Net Changes:

FY 2024-25: \$2.516 billion in net general fund tax revenue reductions

FY 2026-27: \$1.675 billion in net general fund tax revenue reductions

Major Tax Provisions that Raise Revenue:

- Standard Deduction/Itemized Deduction Phase out, Effective TY 2023 (Page 2, Line 20)
- Net Investment Income Tax Created, Effective TY 2024 (Page 2, Line 21)
- GILTI Subtraction Repealed, Effective TY 2023 (Page 2, Line 18)
- Federal Conformity Secure Act 2.0 including Limitation on Excess Business Losses, effective TY 26-28; Limitation on deductions for Charitable Conservation Easements, effective 12/29/22. (Page 2, Line 7-8)

Major Individual Income Tax Changes

Existing Tax Expenditures Modified

- Child Tax Credit/ Working Family Tax Credit; Effective TY 2023 (Page 2, Line 25)
- K-12 Education Tax Credit, Effective TY 2023 (Page 2, Lines 33-34)
- Film Production Tax Credit, Effective TY 2023-2030 (Page 2, Line 40)
- Beginning Farmer's Tax Credit, Effective TY 2023-TY 2030 (Page 2, Line 41)
- Social Security Tax Credit, TY 2023 (Page 2, Line 36)
- Angel Tax Credit, Effective TY 2023-2024 (Page 3, Line 44)

Major Individual Income Tax Changes

New Tax Expenditure Provisions

- Shortline Railroad Modernization Tax Credit, Effective TY 2023 (Page 3, Line 45)
- Renter's Income Tax Credit (Converted from a Property Tax Refund), Effective TY 2024 (Page 3, Line 48)
- Public Pension Subtraction Credit, Effective TY 2023 (Page 2, Line 37)

Other Individual Income Tax Provisions

- Direct Payment Refund to Taxpayers, Effective TY 2023 only (Page 4, Line 21)
- Federal Conformity to SECURE Act 2.0 Provisions for Retirement Account withdrawals for emergency expenses, effective TY 2024; distributions 529 plans to Roth IRAs, effective TY 2024. (Page 2, Lines 11,17)

Major Corporate Franchise Tax Changes

Net Changes:

FY 2024-25: \$595.410 million in net general fund tax revenue increases

FY 2026-27: \$498.620 million in net general fund tax revenue increases

Tax Provisions that Raise Revenue:

- GILTI Subtraction Repealed, Dividend Received Deduction, Effective TY 2023 (Line 56)
- Dividend Received Deduction, Modified to 50 percent, Effective TY 2023 (Line 57)
- Net Operating Loss (NOL), Limitation Modified to 70 percent, Effective TY 2023 (Line 58)

Existing Tax Expenditure Modified:

- Historic Rehabilitation Tax Credit, Effective FY 2022 to 2030. (Line 59)

Major State Sales and Use Tax Changes

Net Changes:

FY 2024-25: \$48.554 million in net general fund tax reductions

FY 2026-27: \$23.954 million in net general fund tax reductions

New and Existing Tax Expenditures Modified:

- Exemption for County Fair Sales, Effective Day Following Enactment (Line 70)
- Exemption for Suite Licenses and Amenities Included in Admission to Athletic Events, Retroactively effective 7/1/2022. (Line 72)

Major State Sales and Use Tax Changes

New Tax Expenditures:

- Exemption for purchases of firearm storage units, effective 7/1/2023 (Line 71)
- Certain natural gas fees to residential customers, retroactively effective 9/1/2021 to 12/31/2026. (Line 68)
- Sales to nonprofit blood centers, retroactively effective 1/1/2020 to 12/30/2027 (Line 74)
- Disregarded single member entities, effective 7/1/2023 (Line 69)
- Over 20 temporary exemptions on purchases of construction materials for city, county, airport and school district projects. (Lines 75-95)

Major Other Tax and Non-Tax Revenue Changes

Net Changes:

FY 2024-25: \$39.512 million in net general fund tax and non-tax revenue reductions

FY 2026-27: \$42.002 million in net general fund tax and non-tax revenue reductions

Tax Revenue Decrease

- Combined Net Tax Receipts, rate reduction, Effective 7/1/2023 (Line 101)

Major Other Tax and Non-Tax Revenue Changes

Repeal of Fee

- \$50 Fee for payment agreement plan, Effective Day Following Enactment (Line 107)

Other modifications

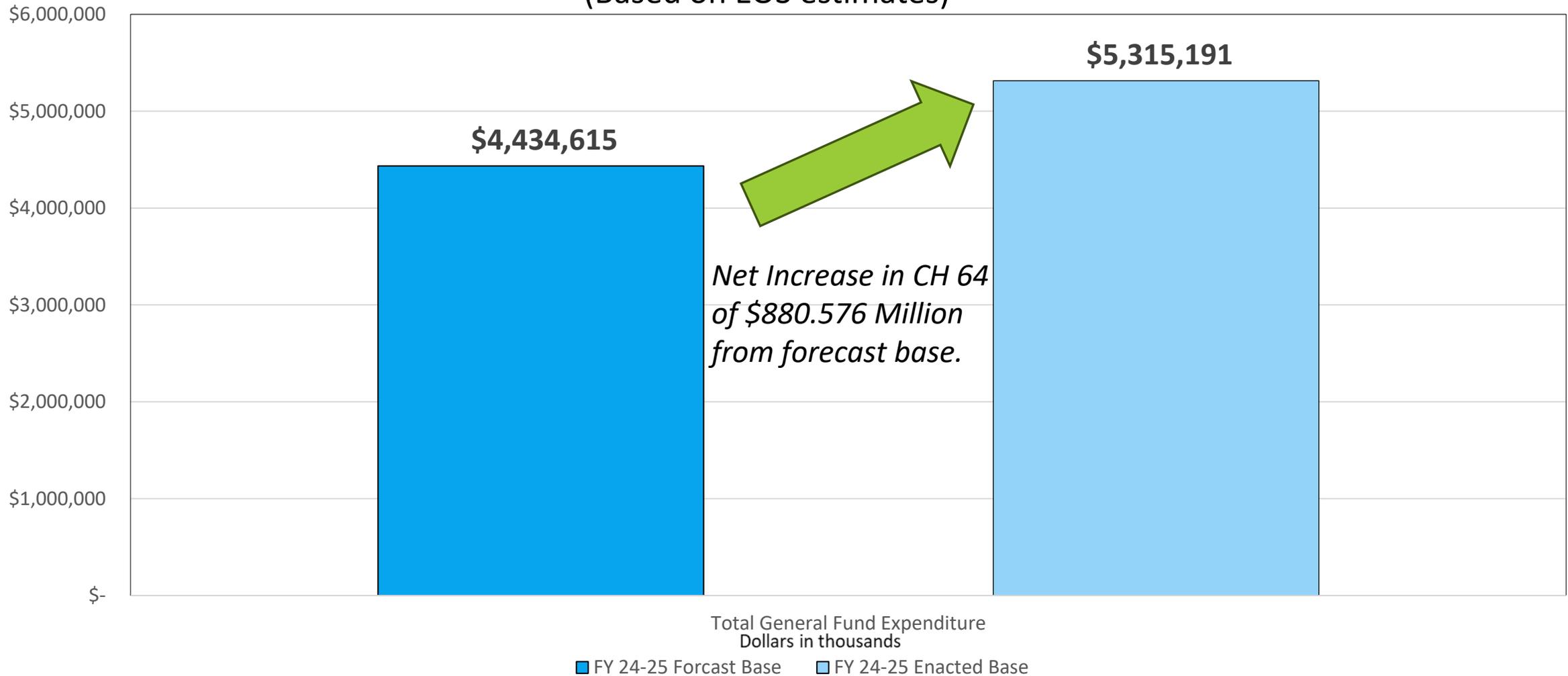
- Gross Proceeds Tax, Non-Ferrous Mining, Effective Assessment Year 2023 (Lines 110-111)
- State General Levy, Extension of Exemption for Tribe Owned Property in Minneapolis, Effective Pay 2023 (Lines 112)

Property Tax, Aids & Credits Expenditure Changes

HIGHLIGHTS, GENERAL FUND

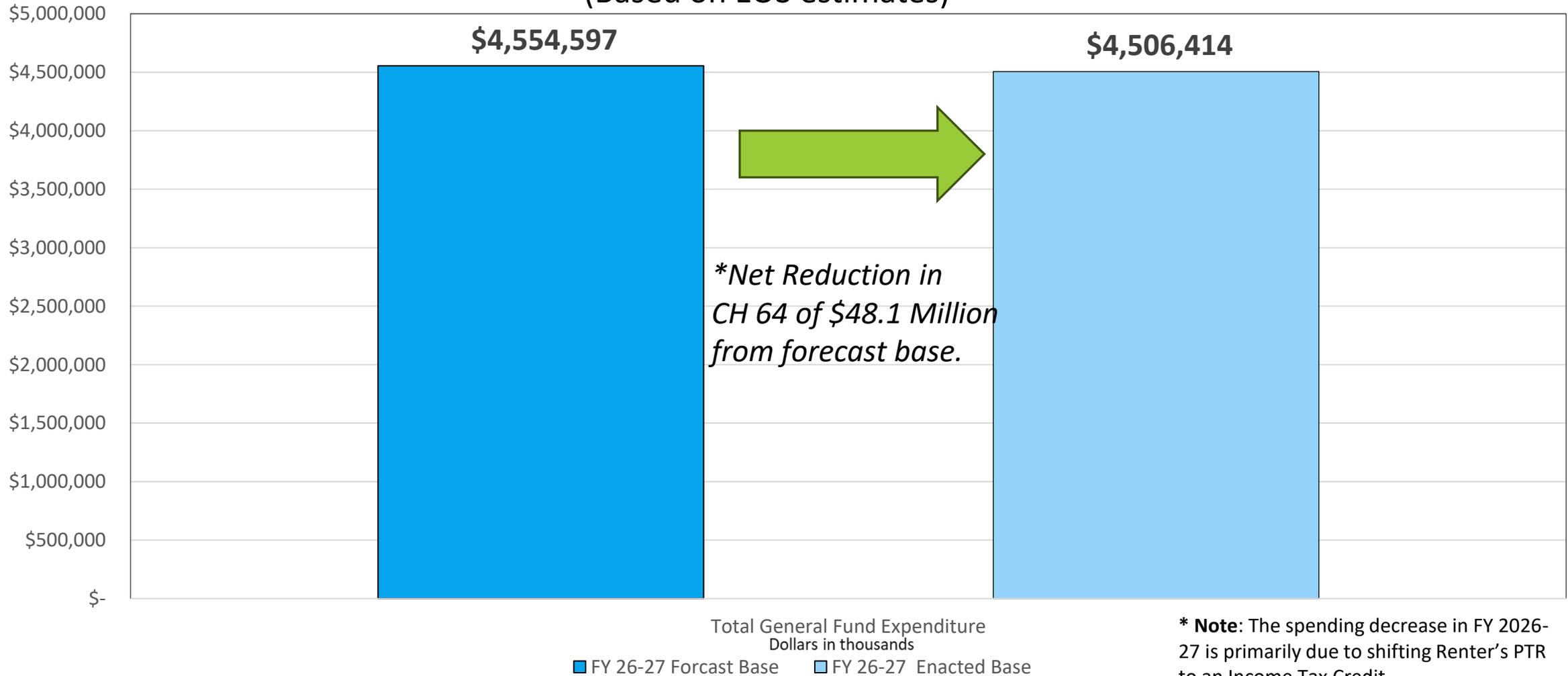
General Fund Property Tax, Aids and Credits: Chapter 64 Compared to Forecasted Spending for FY 2024-25 Biennium

(Based on EOS estimates)



General Fund Property Tax, Aids and Credits: Chapter 64 Compared to Forecasted Spending for FY 2026-27 Biennium

(Based on EOS estimates)



General Fund Changes to Tax Refunds, Aids, & Credits

Net Changes to Select Tax Refunds, Aids, & Credits

FY 2024-25: \$880.404 Million Cost (page 15, line 25)

FY 2026-27: \$48.183 Million Cost Savings (page 15, line 25)

Net Changes derive from One-Time Provisions and On-Going Modifications in the following categories:

- Property Tax Refunds
- Aids and Credits
- Other Changes

Net Property Tax Refund Changes

Net Changes: Property Tax Refunds, not including Renters Credit Conversion:

FY 2024-25: \$233.255 Million Cost (page 7, line 108)

FY 2026-27: \$42.830 Million Cost (page 7, line 108)

Net Changes, including Renters Credit Conversion:

FY 2024-25: \$233.255 Million Cost (page 8, line 108 + line 109)

FY 2026-27: \$449.970 Million Cost Savings (page 7, line 108 + line 109)

*The Renters Property Tax Credit Conversion and its impact will be discussed further in the on-going modifications section. Because the Renters Property Tax was transformed into an income tax deduction, it no longer appears as a state property tax related expenditure in FY 26/27.

Select Property Tax Refund Changes, One-Time Provisions

Net Changes: One-Time Provisions, not including Renters Credit Conversion

FY2024-25: \$209.025 Million Cost (page 16, line 5)

FY2026-27: \$0 Cost (page 16, line 5)

One-time Provisions:

- Homestead Credit State Refund – Additional 20.6% (page 5, line 13)
 - Effective Taxes Payable 2023
- Renters Property Tax Refund – Additional 20.6% (page 5, line 14)
 - Effective Rent Paid 2022
- Targeting Refund – Reduce threshold from to 6%, max refund to \$2,500 (page 5, line 17)
 - Effective Pay 2023

Select Property Tax Refund Changes, On-Going Modifications

Net Changes: On-going Modifications, including Renters Credit Conversion:

FY2024-25: \$22.220 Million Cost (page 16, line 20)

FY2026-27: \$451.990 Million Cost savings (page 16, line 20)

Select Property Tax Refund Changes, On-Going Modifications

On-going Modifications (Part 1):

Homestead Credit State Refund (HSCR)

- Reduce Homeowner Copays 3% (page 5, line 11)
 - Effective Pay 2024
- Expand Homestead Benefits, Allow Individual Taxpayer Identification (ITIN) (page 5, line 10)
 - Effective Application Filed 2023
- Expand Homestead Market Value Exclusion, with changes to threshold, max exclusion, etc. (page 5, line 19)
 - Effective Assessment 2024
- Class 4d low-income rental housing, remove tier, set rate at 0.25% (page 5, line 21)
 - Effective Assessment 2024
- Agricultural Homesteads, first tier valuation increase (page 5, line 23)
 - Effective Assessment 2024
- Spouses Disabled Veterans' Homestead Market Value Exclusion Application (page 6, line 29)
 - Effective Assessment 2023

Select Property Tax Refund Changes, On-Going Modifications

On-going Modifications (Part 2):

Renter Property Tax Refund-Convert to Income Tax Credit

- Renters Income Tax Credit (page 6, line 45)
 - Effective Rent Paid 2024, Filed 2025
- Repeal Renters Property Tax Refund (page 6, line 46)
 - Effective Rent Paid 2024, Filed 2025

Selected Aids & Credits Changes

Net Changes to Aids & Credits:

FY 2024-25: \$642.556 Million Cost (page 17, line 28)

FY 2026-27: \$399.464 Million Cost (page 17, line 28)

Selected Aids & Credits Changes, One-Time Provisions

Net Changes: One-Time Provisions

FY2024-25: \$361.136 Million Cost (page 17, line 12)

FY2026-27: \$60.586 Million Cost savings (page 17, line 12)

One-Time Provisions, Part 1:

- Public Safety Aid (page 6, line 79)
 - Effective Pay 2023
- Local Government Aid, one-time prepayment (page 6, line 52)
 - Effective FY 2025

Selected Aids & Credits Changes, One-Time Provisions

One-Time Provisions, Part 2:

Local Aids

- 2021 LGA Penalty Forgiveness Echo and Morton (page 6, lines 53 & 54)
 - Day Following Enactment (DFE)
- City of Spring Grove, Fire Remediation (page 6, line 57)
 - Effective FY 2024
- City of Northfield, Infrastructure (page 6, line 58)
 - Effective FY 2024

Selected Aids & Credits Changes, On-Going Modifications

Net Changes: On-Going Modifications

FY2024-25: \$281.420 Million Cost (page 17, line 27)

FY2026-27: \$460.050 Million Cost (page 17, line 27)

On-going Modifications, Part 1

- LGA (Local Government Aid) appropriation increase (page 6, line 51)
 - Effective Pay 2024
- CPA (County Program Aid) appropriation increase (page 7, line 64)
 - Effective Pay 2024
- PILT (Payment in Lieu of Taxes) valuation increase (page 7, line 66)
 - Effective Pay 2024

Selected Aids & Credits Changes, On-Going Modifications

On-going Modifications, Part 2

- Electric Generation Transition Aid for Local Governments (page 7, line 75)
 - Effective Pay 2024
- Statewide Local Housing Aid (page 7, line 73)
 - Effective Pay 2023
- Soil & Water Conservation Aid (page 7, line 79)
 - Effective Pay 2023
- Tribal Nations Aid (page 7, line 88)
 - Effective Pay 2024

Selected Other Changes

Total Selected Other Changes:

FY2024-25: \$64 Million Cost (page 17, line 6)

FY2026-27: \$3 Million Cost (page 17, line 6)

Selected Other Changes

- Housing Development Fund, Workforce & Affordable Homeownership Account (page 7, line 90)
 - One-time, Effective 7/1/2023
- MN Department of Revenue (DOR) Administration of Refundable Credit (page 7, line 97)
 - One-time, DFE
- MN DOR Administration of 2023 Tax Act (page 7, line 98)
 - On-going, DFE



Questions?

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