HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 897   **DATE:** February 23, 2007

    Version: As introduced

    Authors: Simpson and others

    Subject: Income tax federal conformity to section 179 expensing

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Overview

Conforms Minnesota's income tax to the extension of increased section 179 expensing limits enacted in 2004 - i.e., for tax years 2006 and 2007. The bill would not conform to the increases in expensing for tax years 2008 and 2009 that were enacted by Congress in 2006.

Section

1   **Additions to taxable income; individuals.** Conforms to increased section 179 expensing amounts enacted in the Working Families Tax Relief Act of 2004 for tax years 2006 and 2007 only. The addition would apply beginning with tax year 2008. (Under current federal law, increased section 179 expensing allowances apply to tax years 2008 and 2009 under the Tax Increase Prevention and Reconciliation Act of 2006.) Effective retroactively to tax year 2006.

           Present law requires taxpayers to add to taxable income 80 percent of the increased section 179 expensing allowed at the federal level, and then subtract one-fifth of the amount added-back in each of the five following tax years, so that the full amount is subtracted over a six year period, rather than in one year as at the federal level. For tax year 2006, the comparable allowances are $108,000 under federal law (the allowance is phased-out for total amounts of property purchased over $430,000), as compared with $25,000 (phased-out for amounts over $100,000) under Minnesota law.

2   **Additions to taxable income; corporations.** Conforms to increased section 179 expensing amounts for tax year 2006 and 2007 only.

<u>Section</u>