

Subject Depreciation subtraction carryover

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## Overview

H.F. 3136 would create a carryover allowance for the amount of a taxpayer's state section 179 and bonus depreciation subtractions that exceed a taxpayer's net income in a given taxable year. Under current law, this excess may not be carried over and therefore may not be used to reduce taxable income to compute Minnesota tax in any taxable year. This bill would also allow amounts that could have been carried over in the past three taxable years had H.F. 3136 been in effect to be added to new carryover allowance.

## Summary

Section	Description
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| 1 | <p><b>Bonus depreciation.</b></p> <p>Modifies the state subtraction for delayed bonus depreciation to allow a subtraction for the current year bonus depreciation allowance established in section 4. The stricken language is moved to that section.</p> <p>Effective date: Taxable years beginning after December 31, 2019.</p> |
| 2 | <p><b>Section 179 expensing.</b></p> <p>Modifies the state subtraction for section 179 expensing to allow a subtraction for the current year section 179 allowance established in section 4. The stricken language is moved to that section.</p> <p>Effective date: Taxable years beginning after December 31, 2019.</p>          |
| 3 | <p><b>Carryover bonus depreciation and section 179 expensing allowance.</b></p> <p>Creates a new subtraction for the carryover allowance established in section 4.</p> <p>Effective date: Taxable years beginning after December 31, 2019.</p>  |

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**4 Section 179 expensing and bonus depreciation subtraction.**

In general, section 4 of this bill incorporates the current sections of law that determine the amount of the state section 179 and bonus depreciation subtractions that are stricken in sections 1 and 2, and establishes a new carryover for these subtractions if they exceed a taxpayer's net income in a given taxable year. The carryover may be taken for up to ten taxable years.

**Subd. 1. Current year section 179 expensing allowance.** Defines the amount of an individual taxpayer's current year section 179 allowance as 1/5 of the amount of the federal section 179 deduction required to be added back under current law.

**Subd. 2. Current year bonus depreciation allowance.** Defines the amount of an individual taxpayer's current year bonus depreciation allowance as 1/5 of the amount of the bonus depreciation deduction required to be added back under current law.

**Subd. 3. Carryover bonus depreciation and section 179 expensing allowance.** Creates a carryover allowance for up to ten taxable years, for the amount by which the allowances in subdivisions 1 and 2 exceed a taxpayer's net income in a taxable year. This subdivision also allows a taxpayer to increase this carryover allowance amount by an amount equal to what they could have carried over in taxable years beginning in 2017, 2018, and 2019, had H.F. 3136 been in effect.

Effective date: Taxable years beginning after December 31, 2019.

**5 Alternative minimum tax; definitions.**

Allows a subtraction for the proposed carryover allowance under the individual alternative minimum tax.

Effective date: Taxable years beginning after December 31, 2019.



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