

Subject Consistent election requirement

Authors Marquart and Davids

Analyst Christopher Kleman

Date February 19, 2019

Overview

H.F. 540 allows a taxpayer to make an inconsistent election between their federal and state income tax returns regarding the choice to either itemize deductions or take the standard deduction.

Current law requires consistent elections. However, state law references the Internal Revenue Code (IRC) prior to the federal tax changes under the Tax Cut and Jobs Act passed by Congress in December 2017.

The Minnesota Department of Revenue is allowing taxpayers to make an inconsistent election for tax year 2018.

Summary

Section	Description
1	<p>Net income; standard or itemized deductions.</p> <p>Provides an exception in the definition of net income for inconsistent elections.</p> <p>Effective date: Tax year 2018.</p>
2	<p>Taxpayer election for itemized or standard deduction.</p> <p>Subd. 1. Legislative purpose. States that the legislative purpose of the bill is to provide an ongoing option for taxpayers to claim the standard deduction or itemized deductions under the IRC as amended through the date on which the state conforms, for state income tax purposes, if Congress makes changes to the Internal Revenue Code. Because of the Minnesota Supreme Court's <i>Wallace</i> decision, Minnesota is a static conformity state, meaning that the state cannot automatically conform to changes in the IRC absent specific legislation to do so. The purpose statement also therefore states that the legislature believes this provision does not violate this decision.</p> <p>Subd. 2. Election allowed. Authorizes a taxpayer to make the election to claim the standard deduction or itemized deductions under the IRC as amended through the date on which the state conforms, for state tax purposes.</p>

Section	Description
---------	-------------

Subd. 3. Application of chapter. Clarifies that for purposes of determining taxes and credits, including the alternative minimum tax, the elective choice under subdivision 2 must be used when making those determinations.

Effective date: Tax year 2018.



**MN HOUSE
RESEARCH**

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 600 State Office Building | St. Paul, MN 55155