DEPARTMENT OF REVENUE

Governor's Tax Bill

March 23, 2022

State Taxes Only –
See Separate Analysis for Property Tax Provisions

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 3692 (Nelson), As Proposed to be Amended (A22-0352)

	Fund Impact			
	F.Y. 2022	**F.Y. 2023**	**F.Y. 2024**	**F.Y. 2025**
		(000's)		
Federal Update				
Further Consol. Appropriations Act, 2020				
Individual Income Tax	$0	($530)	($160)	($160)
Corporate Franchise Tax	$0	($360)	($40)	($20)
CARES Act				
Individual Income Tax	$0	($190)	$40	$10
Corporate Franchise Tax	$0	($640)	$200	$100
Consolidated Appropriations Act, 2021				
Individual Income Tax	$0	($55,710)	($9,640)	($10,640)
Corporate Franchise Tax	$0	($13,890)	($2,170)	($1,880)
American Rescue Plan Act				
Individual Income Tax	$0	($11,860)	($1,600)	($1,100)
Corporate Franchise Tax	$0	($9,900)	($1,000)	($500)
Infrastructure Investment and Jobs Act				
Individual Income Tax	$0	($100)	($190)	($330)
Corporate Franchise Tax	$0	($1,700)	($800)	($700)
Individual Income Tax				
Angel Investment Credit	$0	($7,000)	($5,000)	($5,000)
Dependent Care Credit Expansion				
Increase Credit by 30%	$0	($8,200)	($8,400)	$0
Increase Phase-Out Threshold	$0	($5,700)	($6,100)	($6,100)
Interaction	$0	($1,600)	($1,700)	$0
Newborn Credit	$0	($1,400)	($1,400)	($1,400)
Interaction	$0	($1,000)	($1,000)	($400)
Working Family Credit for ITIN users	$0	($9,800)	($10,400)	($10,400)
K-12 Credit: Phase Out by FAGI over $70,000				
K-12 Education Credit	$0	($13,300)	($14,000)	($14,200)
K-12 Education Subtraction	$0	$1,100	$1,100	$1,100
Sales and Use Tax				
Govt. and Non-profit Construction	$0	($96,700)	($70,920)	($74,870)
One Time Payment of $1,000/$500	$0	($2,004,600)	$0	$0
General Fund Total	**$0**	**($2,243,080)**	**($133,180)**	**($126,490)**

	Fund Impact			
	F.Y. 2022	**F.Y. 2023**	**F.Y. 2024**	**F.Y. 2025**
		(000's)		
Natural Resources and Arts Funds				
Govt. and Non-profit Construction	$0	($5,580)	($4,090)	($4,320)
Natural Resources and Arts Funds Total	**$0**	**($5,580)**	**($4,090)**	**($4,320)**
Total – All Funds	**$0**	**($2,248,660)**	**($137,270)**	**($130,810)**

EXPLANATION AND ANALYSIS OF THE BILL

A summary prepared by the Appeals and Legal Services Division of the Department of Revenue is attached.

Federal Update - Article 1

See the attached tables for a complete list of the provisions adopted by the bill.

- The estimates for most provisions are based on the estimates for the federal legislation prepared by the staff of the Joint Committee on Taxation.
- Where applicable, the estimates were divided between the individual income tax and corporate franchise tax. The estimates for each provision were apportioned to Minnesota based on information relevant to that provision. The estimates were adjusted for the difference between federal and state tax rates and federal and state fiscal years.
- Retroactive impacts were reduced by 5% to account for differences in tax liability due to the nonconformity adjustment in tax year 2022. Depending on the taxpayer's taxable income and circumstances, the special adjustment in 2022 may have a larger or smaller tax impact than revising the prior year's returns.
- Retroactive impacts are allocated to fiscal year 2022. For other years, corporate franchise tax impacts are allocated 30% / 70% to fiscal years. Individual income tax impacts are allocated to the following fiscal year.

Individual Income and Corporate Franchise Taxes - Article 2

Angel Credit (Article 2, Sec. 1 and 2)

- It is assumed that the maximum credit would be allocated per year.
- Tax year impacts are allocated to the following fiscal year.
- There will be an additional fiscal impact of $5 million per year through fiscal year 2031.

EXPLANATION AND ANALYSIS OF THE BILL (Cont.)

Dependent Care Credit Expansion (Article 2, Sec. 3-5)

Increase Credit by 30%

- The House Income Tax Simulation (HITS 7.1) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2022. The model uses a stratified sample of 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.
- About 50,300 tax returns would be affected in tax year 2022. The average reduction in tax would be $163.

Increase Phase-Out Threshold

- The House Income Tax Simulation (HITS 7.1) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2022. The model uses a stratified sample of 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.
- About 20,600 tax returns would be affected in tax year 2022. The average reduction in tax would be $274.

Newborn Credit

- Under current law, about 3,900 returns are expected to receive $2.1 million in newborn credits in tax year 2022, based on estimates from the HITS model. The average newborn credit is $535.
- Births to unmarried women accounted for about 40% of all births in 2019, according to the 2021 National Vital Statistics Report from the Centers for Disease Control.
- If unmarried women claimed the credit at the same rate as married women, the proposal would increase the credit by $1.4 million in tax year 2022. About 2,600 returns would benefit. If combined with the increased credit and phase-out threshold, the impact would increase by $1 million per year.
- The impact is assumed to grow at the same rate as the dependent care credit.
- Tax year impacts are allocated to the following fiscal year.

Working Family Credit for ITIN users (Article 2, Sec. 6)

- Minnesota state income tax information from 2019 was used in this estimate.
- In 2019, there were 21,300 returns filed using an ITIN for the taxpayer and/or the spouse. Of those, approximately 8,200 returns would qualify for the working family credit.
- The average credit for tax year 2019 would have been about $1,340 per return.
- Growth is based on projected growth in the working family credit in the February 2022 forecast.
- Tax year impacts were allocated to the following fiscal year.

EXPLANATION AND ANALYSIS OF THE BILL (Cont.)

K-12 Credit: Phase Out by FAGI over $70,000 (Article 2, Sec. 7-9)

- The estimate is based on a sample of 2019 individual income tax returns.
- In tax year 2019, K-12 education credits totaled $7.2 million on 28,300 returns.
- Under the bill, an additional 38,600 returns are expected to qualify for the credit. The average credit would be $306. Taxpayers in the current phase-out range could also receive an increased credit.
- The credit has declined over the past several years, including a decline of about 20% in tax year 2020. This estimate assumes that the credit will return to 2019 levels by 2022.
- Beginning in 2023, the credit is assumed to grow at the rate of the chained consumer price index, as projected in the February 2022 forecast.
- Taxpayers who claim the credit cannot claim the subtraction for the same expenses. A marginal rate of 6% is used to calculate the impact of reduced subtractions under the proposal.
- Tax year impacts are allocated to the following fiscal year.

<u>Sales and Use Tax - Article 3</u>

Government and Nonprofit Construction (Article 3, sections 1-4)
Effective retroactively to July 1, 2021.

- The estimates are based on the U.S. Census publication *Value of Construction Put in Place.* The applicable Census reports are for state and local government construction and private construction. National figures for 2019 and 2020 were averaged for a state fiscal year 2020 estimating base.
- The national amounts were apportioned to Minnesota at 1.8%, the state share of GDP according to the Bureau of Economic Analysis.
- The amounts were reduced for the estimated amount of construction materials that a contractor may currently acquire exempt under Rule 8130.1200, Subpart 3.
- It was estimated that 40% of the value of qualifying construction was attributable to taxable building and construction materials.
- Growth rates for governmental entities published by IHS Global Insight, Inc. (*U.S Economic Outlook*) were used to forecast local government spending.
- Annual growth for nonprofit organizations including hospitals and nursing homes was estimated at 2.5%.
- The timing and processing of refund claims are expected to affect the estimates.
- The fiscal year 2023 estimates are increased to account for expected retroactive refund claims from fiscal year 2022.
- It is assumed that no refund claims will be paid in fiscal year 2022.

EXPLANATION AND ANALYSIS OF THE BILL (Cont.)

Miscellaneous - Article 7

One Time Payment (Article 7, sec. 1)

- As proposed to be amended, the bill would increase the one-time payment to $1,000 for married joint and head of household filers and $500 for single and married separate filers.
- The payments are assumed to be made after June 30, 2022. The fiscal year impact will depend on the actual timing of the payments.
- The number of income tax filers eligible for the payments is based on the projected number of returns in tax year 2020 from The House Income Tax Simulation (HITS 7.1) Model. The model uses a stratified sample of 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- The 2018 incidence database was used to identify taxpayers who filed a property tax refund but not an income tax return, increased by 1.88% to account for population growth from 2018 to 2020.
- About 2,771,300 households would receive a payment, including the following:
    - 2,646,000 full-year resident households with an income tax return
    - 47,400 part-year resident households with an income tax return
    - 77,900 households with a property tax refund only.
- The average payment would be about $723.
- Part-year residents are assumed to receive a 50% payment on average.

Minnesota Department of Revenue
Tax Research Division
https://www.revenue.state.mn.us/revenue-analyses

2022 DEPARTMENT OF REVENUE
GOVERNOR'S BILL SUMMARY

DEPARTMENT OF REVENUE
Appeals and Legal Services Division
600 North Robert Street
Saint Paul, Minnesota 55146-2220

HF 3669/SF 3692, As Proposed to be Amended

ARTICLE 1: FEDERAL UPDATE

Sections 1, 3, 4, 21 and 22. Federal Update. Amends Minn. Stat. §§ 289A.02, subd. 7; 290.01, subds. 19, 31; 290A.03, subd. 15; and 291.005, subd. 1 to incorporate the Internal Revenue Code as amended through November 15, 2021. The amendment to section 290A.03, subd. 15 is effective for property tax refunds based on property taxes payable in 2022, and rent paid in 2021 and thereafter. The amendment to section 290.05, subd. 1 is effective day following final enactment, except that changes incorporated by federal changes are effective retroactively at the same time the changes became effective for federal purposes. The remaining sections are effective day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes, but are subject to the application of section 290.993, subd. 2.

Section 2, 15, and 18. Cross-references. Amends Minn. Stat. §§ 289A.08, subd. 7, paragraph j; 290.06, subd. 2(c) paragraph (e); and 290.091, subd. 2 to update cross references to the composite income definition, the nonresident allocation rules and individual alternative minimum taxable income definition for the following modifications:

1. **Meals expense**. Minn. Stat. §§ 290.0131, subd. 19 and 290.0133, subd. 15;
2. **Special limited adjustment**. Minn. Stat. §§ 290.0131, subd. 20, 290.0132, subd. 31, 290.0133, subd. 12 and 290.0134, subd. 16;
3. **Delayed Business Interest**. Minn. Stat. §§ 290.0132, subd. 32 and 290.0134, subd. 21.

These sections are effective for taxable years beginning after December 31, 2021.

Sections 5, 16, and 17. Federal "earned income" lookback rule prohibited. Amends Minn. Stat. §§ 290.0123, subd. 3; 290.0671, subd. 1a; and 290.0675, subd. 1 to clarify taxpayers must use "earned income" from the current taxable year for purposes of the Minnesota standard deduction for a dependent, the Minnesota working family credit, and the marriage penalty credit.

Section 6. Meals Expense. Amends Minn. Stat. § 290.0131 by adding subd. 19 to require the amount of meal expenses in excess of the 50-percent limitation under section 274(n)(1) of the Internal Revenue Code allowed under subsection (n), paragraph (2), subparagraph (D) of that section is an addition. This section is effective for taxable years beginning after December 31, 2021.

Section 7, 9, 12 and 13. Special limited adjustment. Amends Minn. Stat. §§ 290.0131, by adding a subd. 20, 290.0132; by adding subd. 31, 290.0133, by adding subd. 16; and 290.0134, by adding subd. 20 to provide that when the amount calculated under 290.993, subd. 2(c) increases net income it is an addition for taxpayers; and when it decreases net income it is a subtraction. These sections are effective for taxable years beginning after December 31, 2021 and before January 1, 2024.

Sections 8 and 19. Net operating loss carryback or carryover. Amends Minn. Stat. §§ 290.0132, subd. 18 by adding a paragraph (b); and 290.095, subd. 11 by adding a paragraph (d) providing that a net operating loss carryover or carryback arising in taxable years beginning after December 31, 2017 and before December 31, 2020; is allowed for Minnesota individual income tax purposes to the extent it would have been allowed for federal income tax purposes in the Internal Revenue Code as amended through December 31, 2018. The unused portion of the net operating loss, to the extent not already deducted and limited to 80-percent of taxable net income, is allowed as a subtraction until used for up to 20 years. The amendments to section 290.095, subd. 11 is effective retroactively for losses arising in taxable years beginning after December 31, 2017 and before December 31, 2020. The amendments to section 290.0132, subd. 18 is effective for taxable years beginning after December 31, 2021.

Section 10 and 14. Delayed business interest. Amends Minn. Stat. §§ 290.0132 by adding a subd. 32 and 290.0134 by adding a subd. 21 to allow a subtraction equal to one-fifth of the adjustment amount, to the extent not already deducted, for the exclusion under 290.993, subd. 2(c)(11) relating to the Coronavirus Aid, Relief and Economic Security Act, Public Law 16-136 section 2306. These sections are effective for taxable years beginning after December 31, 2021.

Section 11. Meals Expense. Amends Minn. Stat. § 290.0133 by adding subd. 15 to require the amount of meal expenses in excess of the 50-percent limitation under section 274(n)(1) of the Internal Revenue Code allowed under subsection (n), paragraph (2), subparagraph (D) of that section is an addition. This section is effective for taxable years beginning after December 31, 2021.

Section 20. Special Limited Adjustment Tax Years 2017 - 2021. Amends Minn. Stat. § 290.993 by adding a subd. 2 that requires all taxpayers, including those entities that elect to file and pay tax on a composite basis under section 289A.08, subd. 7; or elect to file and pay tax as a pass-through entity under section 289A.08, subd. 7a; to make a nonconformity adjustment in tax year 2022 to account for conforming to the Internal Revenue Code as amended through November 15, 2021, excluding the federal law sections enumerated in subd. 2, paragraph (c). The nonconformity adjustment is made as a net addition or net subtraction to net income as provided in subd. 2, paragraph (c) and only to the extent the taxpayer actually reported the nonconformity adjustment on the prior year return. The nonconformity adjustment only adjusts net income, does not impact state credits and does not include any adjustments related to conformity to the following federal law sections, and taxpayers impacted by these sections may instead amend their prior year returns:

(1) Taxpayer Certainty and Disaster Relief Tax Act of 2020 (TCDTR 2020), Public Law 116-260, section 114, Exclusion of gross income of discharge of qualified principal residence indebtedness;

(2) TCDTR 2020, section 304(b), Special rules for disaster-related personal casualty losses;

(3) American Rescue Plan Act (ARPA), Public Law 117-2, section 9675, Modification of treatment of student loan forgiveness.

The nonconformity adjustment described in subd. 2, paragraph (c) does not include the following federal law sections:

(1) Taxpayer Certainty and Disaster Relief Tax Act of 2019 (TCDTR 2019), Public Law 116-94, section 104, Deduction of qualified tuition and related expenses;

(2) TCDTR 2019, section 203, Employee retention credit for employers affected by qualified disasters;

(3) Families First Coronavirus Response Act (FFCRA), Public Law 116-127, section 7001, Payroll credit for required paid sick leave;

(4) FFCRA, section 7003, Payroll credit for required paid family leave;

(5) Coronavirus Aid, Relief and Economic Security Act (CARES), Public Law 116-136 section 2204, Allowance of partial above the line deduction for charitable contributions;

(6) CARES, section 2205, Temporary modification of limitations on charitable contributions as it applies to individual taxpayers only and including carryovers;

(7) CARES, section 2206, Exclusion for certain employer payments of student loans;

(8) CARES, section 2301, Employee retention credit;

(9) CARES, section 2303, Modifications for net operating losses;

(10) CARES, section 2304, excluding subsection (b)(2)(B), Modification of limitation on losses for taxpayers other than corporations;

(11) CARES, section 2306, Limitation on Business Interest;

(12) TCDTR 2020, section 207, Extension and modification of employee retention and rehiring credit;

(13) TCDTR 2020, sections 210, Temporary allowance of full deduction for business meals;

(14) TCDTR 2020, section 303; Employee retention credit for employers affected by qualified disasters;

(15) ARPA, section 9501(b), Preserving health benefits for workers;

(16) ARPA, section 9631, Refundability and enhancement of child and dependent care tax credit;

(17) ARPA, section 9641, Payroll sick and family leave credits;

(18) ARPA, section 9651, Extension of employee retention credit.

This section is effective day following final enactment except that the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes.

ARTICLE 2: INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Sections 1 and 2. Angel investment tax credit. Amends Minn. Stat, § 116J.8737, subd. 5, to authorize the commissioner of employment and economic development to allocate up to $12,000,000 of tax credits to qualified investors for investments made in calendar year 2022 and $5,000,000 of tax credits to qualified investors for investments made in each of the calendar years 2023 through 2030. Amends Minn. Stat. §116J.8737, subd. 12, to delay the sunset of the angel investment tax credit for eight years through 2030. The amendments to subdivision 5 are effective retroactively for taxable years beginning after December 31, 2021, and to subdivision 12 are effective the day following final enactment.

Sections 3 and 4. Dependent care credit expansion. Amends Minn. Stat. § 290.067, subds. 1 and 2b, to increase the income phaseout threshold for the credit from $52,230 to $70,000, update the threshold amount for inflation and expand the newborn credit eligibility to all filing statuses except married filing separately. Effective for taxable years beginning after December 31, 2021.

Section 5. Dependent Care Credit Temporary Increase. Amends Minn. Stat. § 290.067, by adding a subd. 7, to provide a temporary increase of thirty-percent to the dependent care credit for tax years 2022 and 2023. Effective for taxable years beginning after December 31, 2021 and before January 1, 2024.

Section 6. Working family credit expansion. Amends Minn. Stat. § 290.0671, subd. 1, to expand credit eligibility to individuals with individual taxpayer identification numbers (ITINs). Effective for taxable years beginning after December 31, 2021.

Section 7. Minnesota education credit phaseout increased. Amends Minn. Stat. § 290.0674, subd. 2, to increase income phaseout threshold to $70,000 and to clarify that the maximum credit amount is based on income. Effective for taxable years beginning after December 31, 2021.

Section 8. Minnesota education credit definition of income. Amends Minn. Stat. § 290.0674, subd. 2a, to modify the credit's definition of income to mean adjusted gross income as defined by Internal Revenue Code section 62, except adjusted gross income cannot be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year. Effective for taxable years beginning after December 31, 2021.

Section 9. Minnesota education credit indexed for inflation. Amends Minn. Stat. § 290.0674 by adding a new subd. 2b that requires annual inflation adjustments to the income phaseout threshold. Effective for taxable years beginning after December 31, 2021.

ARTICLE 3: SALES AND USE TAXES

Sections 1 through 4. Construction Materials; Sales Tax Exemption. Amends Minn. Stat. § 297A.71, to add subd. 54, to exempt the following purchases:

- materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, repair, maintenance, or improvement of buildings or facilities used principally by school districts, local governments, libraries, nonprofit groups, or specified hospitals, outpatient surgical centers, critical access dental providers, nursing homes, or boarding care homes.

- materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, repair, maintenance, or improvement of public infrastructure, such as roads, bridges, sewers, and water treatment facilities, purchased as part of a contract with a school district or local government.

The sales tax is paid at the time of sale and then refunded. Minn. Stat. § 297A.75, subds. 1, 2, and 3, are also amended to provide that the listed exempt entity that is the principal user of the building or facility, or that contracts for the public infrastructure, must apply for the refund; and requires the contractor, subcontractor, or builder to provide the refund applicant with the information needed to apply for the refund. Effective retroactively for sales and purchases made after June 30, 2021.

ARTICLE 4: PROPERTY TAXES

Sections 1 through 7 and 9. Homestead Application. Amends Minn. Stat. §§ 273.124, subds. 6, 13, 13a, 13c, 13d, and 14; 273.1245, subd. 1; and § 273.1315, subd. 2 to allow property owners to qualify for homestead classification by providing an individual taxpayer identification number (ITIN) on a homestead application, in lieu of a Social Security number. Effective retroactively for homestead applications filed in 2022 and thereafter.

Section 8. Agricultural products definition. Amends Minn. Stat. § 273.13, subd. 23(i), by adding hemp to the definition of "agricultural products." Effective beginning in assessment year 2023 and thereafter.

Sections 10 through 13. Increase of the Income Cap for Senior Deferral Program. Amends Minn. Stat. §§ 290B.03, subd. 1; 290B.04, subds. 3 and 4; and 290B.05, subd. 1 to increase the yearly household income cap requirement for the Senior Citizens' Property Tax Deferral Program from $60,000 to $75,000. Effective for applications received for deferral of taxes payable in 2023 and thereafter.

ARTICLE 5: PUBLIC SAFETY AID

Section 1. Establishing Public Safety Aid. Amends chapter 477A to create a new aid program and section, Minn. Stat. § 477A.0127. Public Safety aid of $100,000,000 is annually appropriated from the general fund to counties, tribal governments, and cities to provide and fund public safety. Cities must directly employ at least one peace officer to qualify for aid. The commissioner of public safety will certify to the commissioner of revenue which cities meet this requirement, and the commissioner of revenue will calculate and certify the aid to counties, tribal governments, and cities on the same timetable as Local Government Aid under section 477A.015. Effective beginning with aid payable in 2022 and thereafter.

ARTICLE 6: SOIL AND WATER CONSERVATION DISTRICT AID

Sections 1 and 2. Establishing Soil and Water Conservation District Aid. Section 1 amends chapter 477A to create a new aid program and section, Minn. Stat. § 477A.23. Soil and Water Conservation District aid will be annually calculated and certified by the Board of Water and

Soil Resources to the commissioner of revenue for distribution to soil and water conservation districts. $22,000,000 is annually appropriated from the general fund for this aid. Districts must use the aid to execute the duties established by chapter 103C. Section 2 amends a 2021 session law that created a two-year appropriation for soil and water conservation districts. The amendment removes the second year of the appropriation, 2022, because the districts would not need those appropriated funds if the aid program is enacted. Each section is effective beginning with aids payable in 2022 and thereafter.

ARTICLE 7: MISCELLANEOUS

Section 1. Direct payments. Section 1 creates a direct payment that will be made by the commissioner of revenue to most persons who were Minnesota residents in 2020 who either filed a 2020 Minnesota income tax return by October 15, 2021, or a 2020 Minnesota property tax refund return by December 31, 2021. The payment will generally be $500 for single and married filing separate filers and $1000 for married filing joint filers and heads of household.

Paragraph (a) establishes that Minnesota residents who filed a 2020 Minnesota income tax return or filed a 2020 Minnesota property tax refund return are eligible for the direct payment.

Paragraph (b) provides that income taxpayers with taxable net income that exceeded the minimum thresholds for the fourth tier 9.85% income tax bracket are not eligible for the direct payment.

Paragraph (c) sets the direct payment at $1000 for married couples filing jointly and head of household filers, and $500 for single filers and married persons filing a separate return.

Paragraph (d) provides that direct payments to part year residents will be limited by the percent of their income subject to Minnesota income tax.

Paragraph (e) provides that the direct payments will be paid by the commissioner of revenue based on information in Department of Revenue records. Eligible Minnesotans will not have to file a separate claim for payment.

Paragraph (f) provides that married couples who filed a joint 2020 return will receive a joint direct payment.

Paragraph (g) provides that the direct payments will be treated the same as income tax and many other taxes administered by the commissioner for data practices purposes.

Paragraph (h) provides that the direct payments are not subject to setoff for unpaid taxes or nontax debts.

Paragraph (i) provides that the direct payments are not subject to Minnesota income tax and are not used in the calculation of Minnesota income tax credits, the property tax refund or the senior citizen property tax deferral program. Also provides that direct payments are not considered as income, assets, personal property or resources in determining eligibility for any program administered by the commissioner of human services. Finally, provides that a direct payment is not "assistance based on need" for purposes of Minn. Stat. § 550.37, subd. 14.

Paragraph (j) provides that no direct payment will be paid if the individual dies before receiving payment.

Paragraph (k) provides that if a direct payment check or warrant is not cashed within two years of first issuance, or if the commissioner cannot locate a person eligible for a direct payment within two years of the date of the first issuance of a check or warrant, the right to the payment lapses. Also provides that if payment of a direct payment is made by a debit card, any funds not withdrawn within two years of the date of the first issuance of the card lapse to the state.

Paragraph (l) provides that the commissioner may recapture, through tax assessment procedures, previously issued payments under three circumstances.

1. The commissioner can recapture a previously issued direct payment if the taxpayer's 2020 tax is adjusted, by filing of an amended return or through audit, and the adjustment pushes the taxpayer's 2020 income above the 4th tier 9.85% tax bracket. This adjustment must be made during the period of limitation to adjust the 2020 income tax return.

2. If a direct payment check or warrant is cashed by someone other than the payee, the commissioner may recover the amount of the payment from the person who forged or improperly endorsed the instrument. This assessment must be made within two years of the unauthorized signature; and

3. If direct payment is made by debit card, and was activated and accessed by an unauthorized person, the commissioner may recover the amount from the unauthorized person. This assessment must be made within two years of the last unauthorized access.

Paragraph (m) allows the commissioner of revenue, in consultation with the commissioner of management and budget, to hire outside vendors to help administer the program. Exempts the commissioner from various laws that generally limit or prohibit hiring outside vendors, such as Minn. Stat. §§ 9.031 (dealing with depositories for state funds), 16B.49 (state centralize mailing system), and chapter 16C (related to state procurement).

Paragraph (n) appropriates to the commissioner of revenue from the general fund the money necessary to make the direct payments. The money is available to the commissioner during fiscal years 2022 and 2023.

Paragraph (o) provides onetime appropriations of $7,752,000 in fiscal year 2022 and $215,000 in fiscal year 2023 to the commissioner of revenue from the general fund to administer the direct payment program.

Effective the day following final enactment.

Section 2. Administrative Appropriation. Appropriates $606,000 in fiscal year 2023 and adds $389,000 to the agency's budget base in fiscal year 2024 and $382,000 in fiscal year 2025 and beyond for the additional costs of administering the changes in the act. This section is effective the day following final enactment.

March 23, 2022

Federal Update: Further Consolidated Appropriations Act, 2020
H.F. 3669 / S.F. 3692
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Expansion of Section 529 plans (beginning TY19)	$0	($530)	($160)	($160)
Seven-year recovery period for motorsports entertainment complexes (TY18-20)				
Corporate Franchise Tax	$0	($360)	($40)	($20)
FCAA 2020: All Provisions				
Individual Income Tax	**$0**	**($530)**	**($160)**	**($160)**
Corporate Franchise Tax	**$0**	**($360)**	**($40)**	**($20)**
General Fund Total	**$0**	**($890)**	**($200)**	**($180)**

March 23, 2022

Federal Update
Coronavirus Aid, Relief, and Economic Security Act
H.F. 3669 / S.F. 3692
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Increase corporate limitation on charitable contributions (TY20 only)				
Corporate Franchise Tax	$0	($550)	$170	$100
Increase charitable deduction limit for food inventory (TY20 only)				
Individual Income Tax	$0	($190)	$40	$10
Corporate Franchise Tax	$0	($90)	$30	$0
Inclusion of certain over-the-counter medical products as qualified medical expenses (beginning TY20)	$0	(Negl.)	(Negl.)	(Negl.)
Individual Income Tax				
CARES Act: All Provisions				
Individual Income Tax	**$0**	**($190)**	**$40**	**$10**
Corporate Franchise Tax	**$0**	**($640)**	**$200**	**$100**
General Fund Total	**$0**	**($830)**	**$240**	**$110**

March 23, 2022

Federal Update: Consolidated Appropriations Act, 2021
H.F. 3669 / S.F. 3692
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Individual Provisions				
Exclusion of discharge of indebtedness on qualified principal residence (TY21-TY25)	$0	($2,800)	($1,600)	($1,600)
Benefits for volunteer firefighters and emergency medical responders (beginning TY21)	$0	($590)	($400)	($400)
Exclusion for certain employer payments of student loans (TY21-25)	$0	($13,900)	($7,300)	($7,400)
Partial above-the-line deduction for charitable contributions (TY21)	$0	($13,900)	$0	$0
Modification of limitation on charitable contributions (TY21)	$0	($6,500)	$2,700	$1,200
Subtotal: Individual Provisions	**$0**	**($37,690)**	**($6,600)**	**($8,200)**
Business and Investment Provisions				
SBA loan assistance (TY21)				
Individual Income Tax	$0	($2,700)	($300)	($100)
Corporate Franchise Tax	$0	($2,500)	($100)	($100)
Exclusion of shuttered venue grants (TY21)				
Individual Income Tax	$0	($2,300)	($400)	($200)
Corporate Franchise Tax	$0	($2,300)	($400)	($200)
Seven-year recovery period for motorsports entertainment complexes (TY21-25)				
Corporate Franchise Tax	$0	($190)	($100)	($110)
Accelerated depreciation for business property on Indian reservations (TY21)				
Individual Income Tax	$0	($80)	($10)	(Negl.)
Corporate Franchise Tax	$0	($60)	($10)	$0
Depreciation of certain residential rental property over 30 years (Retroactive to TY18)				
Individual Income Tax	$0	($8,200)	($1,100)	($900)
Corporate Franchise Tax	$0	($4,100)	($500)	($400)
Special expensing rules for certain film, television, and live theatrical productions (TY21-25)				
Individual Income Tax	$0	($3,300)	($600)	($600)
Corporate Franchise Tax	$0	($3,800)	($700)	($700)

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	FY 2022	FY 2023	FY 2024	FY 2025
Energy-efficient commercial building deduction (TY 21)				
Individual Income Tax	$0	($410)	($200)	($200)
Corporate Franchise Tax	$0	($660)	($320)	($320)
Special rule for the production period for beer, wine, and distilled spirits (beginning TY21)				
Individual Income Tax	$0	($120)	($40)	($40)
Corporate Franchise Tax	$0	($180)	($70)	($70)
Business and Investment Provisions				
Individual Income Tax	**$0**	**($17,110)**	**($2,650)**	**($2,040)**
Corporate Franchise Tax	**$0**	**($13,790)**	**($2,200)**	**($1,900)**
Subtotal	**$0**	**($30,900)**	**($4,850)**	**($3,940)**
Disaster Relief Provisions				
Special disaster-related rules for use of retirement funds (TY21-22)	$0	($10)	$10	$0
Special rule for qualified disaster relief contributions (TY21-22)				
Corporate Franchise Tax	$0	($100)	$30	$20
Deduction for disaster-related casualty losses (beginning TY20)	$0	($900)	($400)	($400)
Disaster Relief Provisions				
Subtotal	**$0**	**($1,010)**	**($360)**	**($380)**
CAA 2021: All Provisions				
Individual Income Tax	**$0**	**($55,710)**	**($9,640)**	**($10,640)**
Corporate Franchise Tax	**$0**	**($13,890)**	**($2,170)**	**($1,880)**
General Fund Total	**$0**	**($69,600)**	**($11,810)**	**($12,520)**

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Federal Update: American Rescue Plan Act of 2021
H.F. 3669 / S.F. 3692
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Increase maximum unearned income for working family credit (beginning TY21)				
Individual Income Tax	$0	($900)	($500)	($500)
Increase exclusion for employer-provided dependent care assistance (TY21 only)				
Individual Income Tax	$0	($760)	$0	$0
Exclusion for certain forgiven student loans (TY21-TY25)				
Individual Income Tax	$0	($200)	($100)	($100)
Extend limitation on excess business losses of noncorporate taxpayers (TY26 only)				
Individual Income Tax	$0	$0	$0	$0
Exclusion of economic injury disaster loan advances (TY21 only)				
Individual Income Tax	$0	($5,800)	($600)	($300)
Corporate Franchise Tax	$0	($5,800)	($600)	($300)
Exclusion of restaurant revitalization grants (TY21 only)				
Individual Income Tax	$0	($4,200)	($400)	($200)
Corporate Franchise Tax	$0	($4,100)	($400)	($200)
Repeal worldwide interest allocation rules (beginning TY21)				
Corporate Franchise Tax	$0	Unknown	Unknown	Unknown
Deny deduction for certain highly compensated executives (beginning TY27)				
Corporate Franchise Tax	$0	$0	$0	$0
ARPA: All Provisions				
Individual Income Tax	**$0**	**($11,860)**	**($1,600)**	**($1,100)**
Corporate Franchise Tax	**$0**	**($9,900)**	**($1,000)**	**($500)**
General Fund Total	**$0**	**($21,760)**	**($2,600)**	**($1,600)**

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Federal Update
Infrastructure Investment and Jobs Act 2021
H.F. 3669 / S.F. 3692
($000s)

	FY 2022	FY 2023	FY 2024	FY 2025
Private Activity Bonds for Qualified Broadband Projects (beginning TY22)				
Individual Income Tax	$0	($80)	($170)	($290)
Tax Exempt Bonds for Qualified Carbon Dioxide Capture Facilities (beginning TY22)				
Individual Income Tax	$0	($20)	($20)	($40)
Modification of Tax Treatment of Contributions to the Capital of a Corporation (beginning TY21)				
Corporate Franchise Tax	$0	($1,700)	($800)	($700)
IIJA: All Provisions				
Individual Income Tax	**$0**	**($100)**	**($190)**	**($330)**
Corporate Franchise Tax	**$0**	**($1,700)**	**($800)**	**($700)**
General Fund Total	**$0**	**($1,800)**	**($990)**	**($1,030)**