



Tax Cuts and Jobs Act Expiration

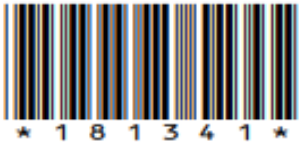
January 15th, 2025

- What is Tax Conformity?
- History of the Tax Cuts and Jobs Act (TCJA)
- Minnesota's Conformity to the TCJA
- Impacts of the TCJA Expiration

What is Tax Conformity?



Addressing Nonconformity



2018 Schedule M1NC, Federal Adjustments

Minnesota does recognize the tax effect of certain federal law changes enacted since December 31, 2018 that are listed in the instructions.

Your First Name and Initial	Last Name	Social Security Number

Before you complete this schedule, read the instructions which are on a separate sheet. Do not enter amounts in gray boxes.

Adjustments to federal adjusted gross income (AGI)

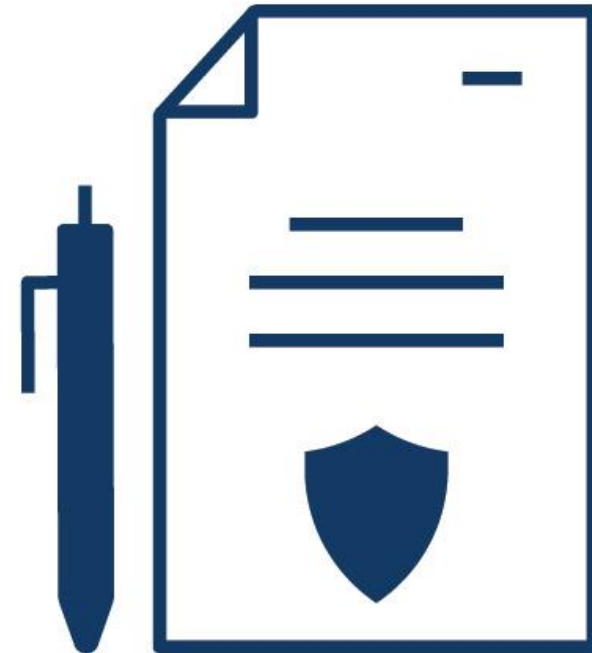
- 1 Bicycle commuting expenses reimbursed by your employer 1 ■
- 2 Moving expense deduction (enclose Schedule M1MOVE)..... 2 ■
- 3 Excess reimbursements received from your employer
reported on line 8 of Schedule M1UE..... 3 ■
- 4 Student loan forgiven due to death or permanent disability..... 4 ■
- 5 Earnings from an education savings account used for K-12 education
tuition expenses or rolled over to an ABL account 5 ■

Additions

Subtractions

Tax Conformity Options

- Not conform
- Conform with federal update
- Decouple
 - Additions
 - Subtractions

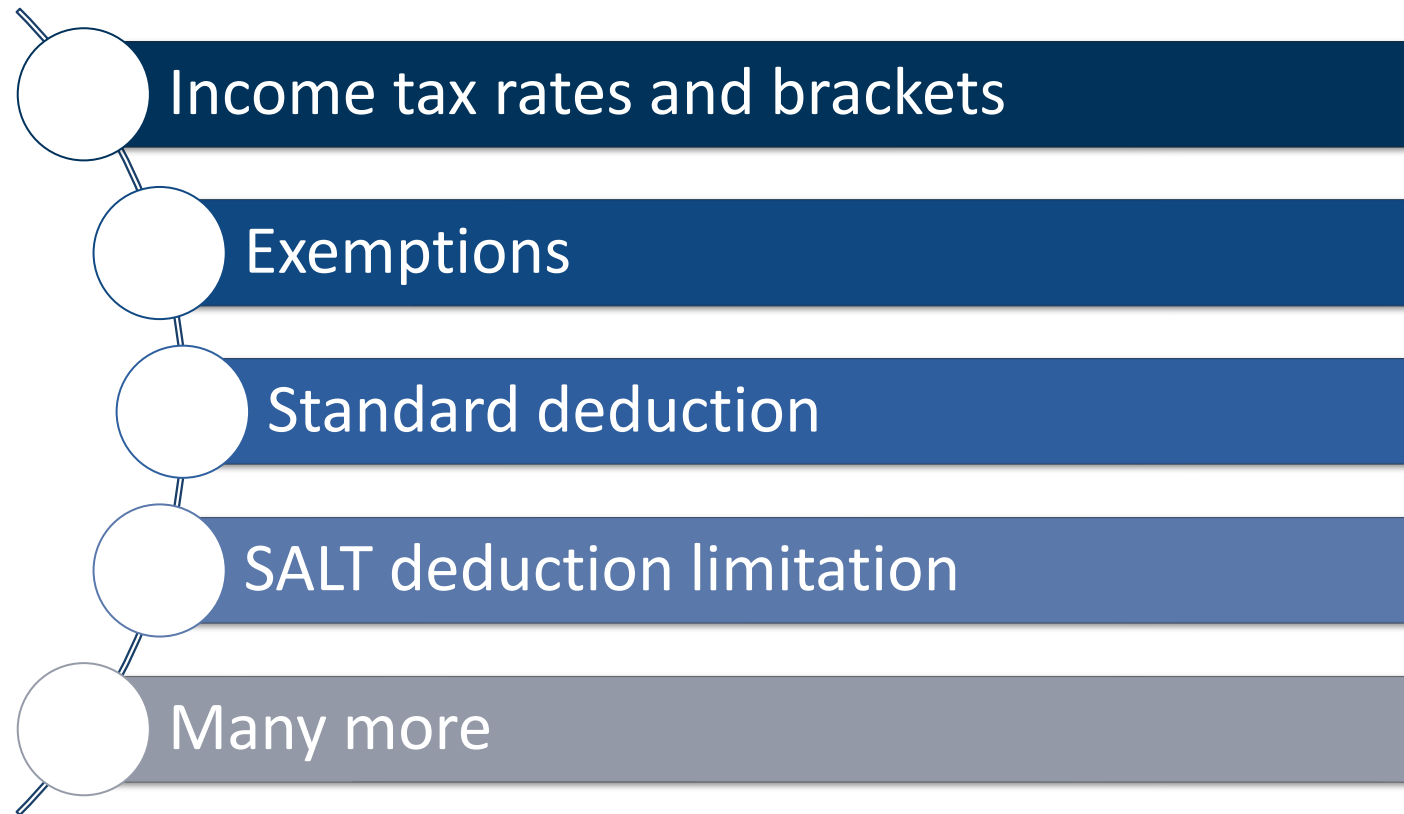




Tax Cuts and Jobs Act (TCJA)

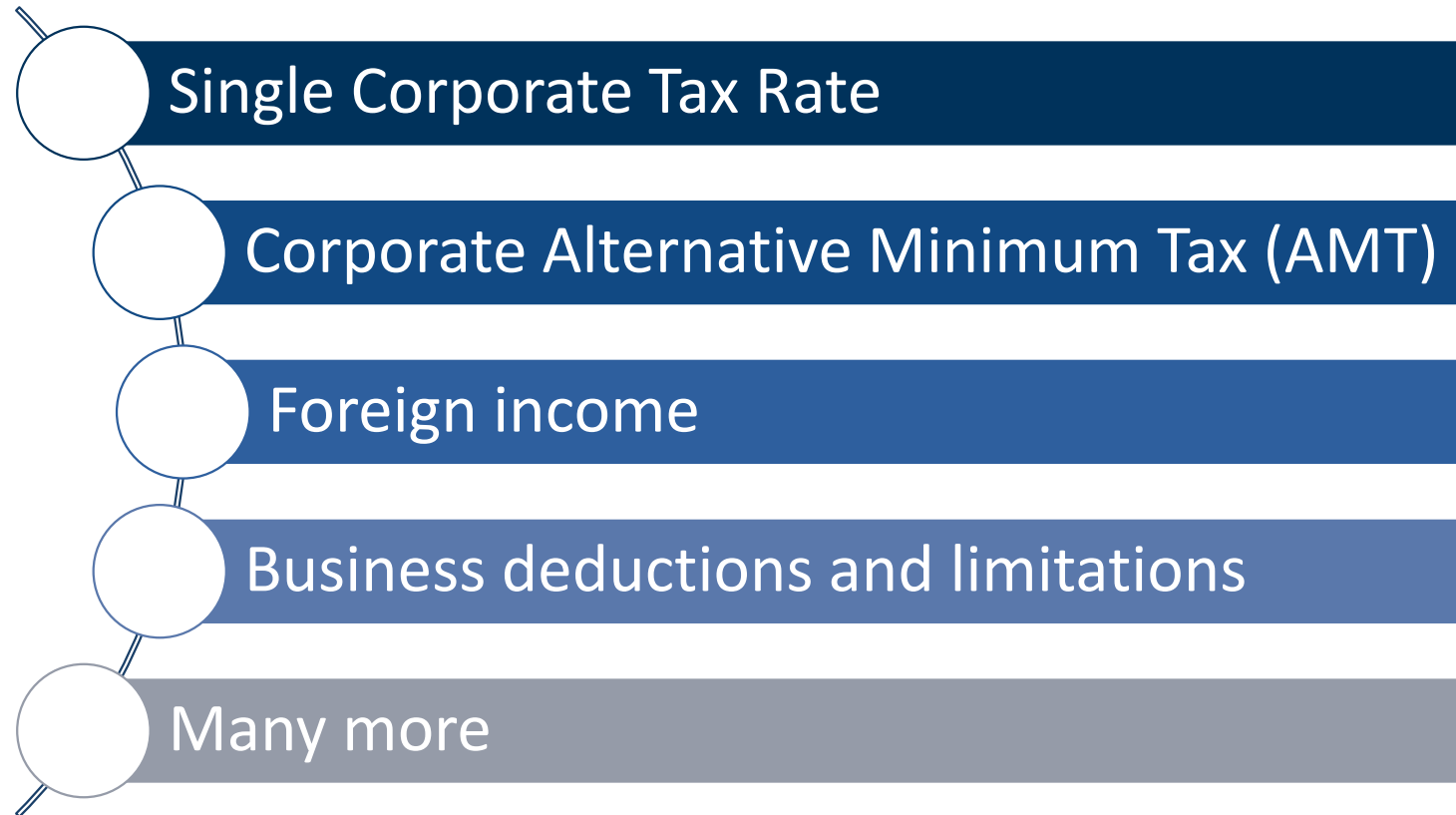
Tax Cuts and Jobs Act (TCJA)

Individual Provisions



Tax Cuts and Jobs Act (TCJA)

Business Provisions





Minnesota's Conformity to TCJA

Minnesota's Conformity to the TCJA

Decoupled Items

Individuals

- Addition – 529 plan distributions for K-12 tuition
- Subtraction – State standard deduction
- Subtraction – Certain itemized deductions
- Subtraction – Dependent exemptions

Estates and Trusts

- Addition – Section 199A

Minnesota's Conformity to the TCJA

Decoupled Items

Businesses

- Addition – Foreign Derived Intangible Income (FDII)
- Subtraction – Deferred Foreign Income (DFI)
- Subtraction – Global Intangible Low-Taxed Income (GILTI)

Minnesota's Conformity to the TCJA

Other Changes

Individuals

- Student loan discharge exclusion
- Personal exemptions

Businesses

- Corporate Net Operating Loss (NOL) limitation
- Corporate Alternative Minimum Tax (AMT) retained
- Interest expense limitation for unitary businesses
- Historic Structure Rehabilitation Credit payout

Minnesota's Conformity to the TCJA

Special Limited Adjustment

- Tax year 2018 only
- Non-corporate income taxpayers
- Federal changes between December 16, 2016, and December 31, 2018
- No tax effect
- Exception items



Impacts of the TCJA Expiration

Expiring Provisions of the TCJA

Impacts to
Minnesota

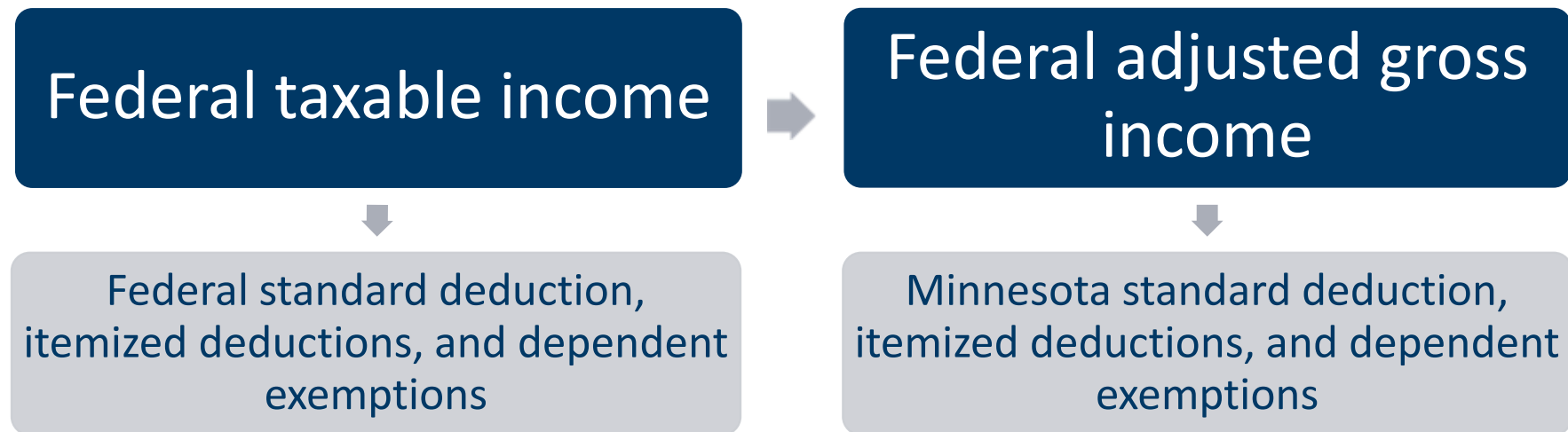
- Individual Provisions
- Business-Related Provisions

No
Impacts to
Minnesota

- Individual Provisions
- Business-Related Provisions

Impacts of the TCJA Expiration

Impact Example – Standard Deduction and Itemized Deductions



Impacts of the TCJA Expiration

Impact Example – Bonus Depreciation



- **Federal:** Immediate expensing ends in 2027
- **Minnesota:** 80% addback, 20% subtractions
- **Impacts:** Revenue gain, obsolete Minnesota additions and subtractions

Impacts of the TCJA Expiration

Impact Example – SALT Deduction Limitation and PTE Tax



Federal \$10,000
SALT Cap

Minnesota
PTE Tax

Expiration

- Minimize impact to customers
- Support voluntary compliance
- Provide guidance
- Protect integrity of the tax system



Next Steps