



STATE OF MINNESOTA
L'Étoile du Nord

Office of Governor Mark Dayton

Tax Cuts for Over 2 Million Minnesotans

Budget for a Better Minnesota

Governor Mark Dayton's Tax Bill continues his long-held commitment to tax fairness for hard-working Minnesotans, while preserving a responsible, balanced budget for our state's future. It would cut taxes for over 2 million Minnesotans and their families.

Late last year, President Trump and Republicans in Congress enacted an unfair Federal Tax Bill that overwhelmingly favored big corporations and the richest Americans. The new 2017 Federal Tax Law cut taxes by 40 percent for corporations, totaling 92 percent of the net total of the bill, or \$1.35 trillion. Nearly 50 percent of new individual federal tax cuts go to the richest Americans – those earning over \$250,000 per year. Depending on how Minnesota responds, the new law could raise state taxes on hundreds of thousands of Minnesotans.

This session, the Governor and Legislature face an important choice: how to respond to the 2017 Federal Tax Law in our state. The decisions made this session will impact state taxes for Minnesota individuals, families, and businesses. Here is how those choices could impact Minnesotans:

Do Nothing	Full "Conformity"	Governor's Proposal
If the Minnesota Legislature does nothing to respond to the 2017 Federal Tax Law, individual state income taxes will increase \$59 million for over 300,000 Minnesota families, costing an average of \$200 per person in higher taxes.	If the Minnesota Legislature fully "conforms" to the 2017 Federal Tax Law – matching at the state level all of the changes made at the federal level – individual state income taxes would increase \$426 million for over 870,000 Minnesota families, costing an average of \$489 per person in higher taxes.	If the Minnesota Legislature passes Governor Dayton's proposal, Minnesota families would see \$319 million in tax relief. More than 1.9 million families would see an average tax cut of \$117 , and 329,000 families would see an average tax cut of \$160 .

Governor Dayton's response to the 2017 Federal Tax Law is revenue neutral, and would protect hundreds of thousands of Minnesotans and their families from state tax increases caused by new laws enacted by President Trump and Republicans in Congress. The Governor's plan would cut taxes for over 2 million households – improving family budgets without risking the stability of our state's budget. His plan would separate our state income tax system from the federal government, giving Minnesota control over the fairness of our own taxes, and the stability of our revenues. And it would simplify and cut taxes by \$100 million for farmers and small businesses for their equipment expenses.

Finally, Governor Dayton's proposal would repeal unaffordable tax breaks enacted last year by Republicans in the Minnesota Legislature that have threatened the long-term stability of our state's budget. It would roll back tax breaks for big tobacco companies, huge property tax cuts for corporations, and estate tax cuts for the wealthiest Minnesotans.

Tax Cuts for Over 2 Million Minnesotans

Policy	Description
<p>Creating a New Minnesota Personal and Dependent Credit that Would Cut Taxes for 1.9 Million Minnesotans and Their Families</p>	<p>Governor Dayton’s proposal would create a new, non-refundable tax credit for individuals earning less than \$140,000 and married tax filers earning less than \$280,000 per year. This new tax credit – which is designed to make taxes fair for hard-working Minnesotans – would cut taxes an average \$117 for over 1.9 million eligible Minnesota families.</p>
<p>Cutting Taxes for 329,000 Working Minnesota Families by Expanding the Working Family Tax Credit</p>	<p>Governor Dayton’s proposal would expand the Working Family Tax Credit. By expanding this tax credit, over 329,000 Minnesotans and their families would receive an average \$160 tax cut. The Working Family Tax Credit would allow the inclusion of up to three dependents, and extend the credit to more middle class families. The proposal would also allow more taxpayers to claim the maximum tax credit at lower incomes, and reduce the minimum age for the credit to 21.</p>
<p>Separating Our State Tax System from President Trump’s Unfair Federal Tax Changes and Protecting 300,000 Minnesotans from Tax Increases</p>	<p>Governor Dayton’s proposal would separate our state income tax system from the federal government, giving Minnesotans more control over the fairness of our taxes and the stability of their revenues. The Governor’s proposal would move Minnesota away from using “Federal Taxable Income” on our individual state income taxes, replacing it with “Federal Adjusted Gross Income.” This change will prevent over 300,000 Minnesotans from state income tax increases caused by the 2017 Federal Tax Law enacted by President Trump and Republicans in Congress.</p>
<p>Maintaining Property Tax Refund Benefits for Minnesotans</p>	<p>Governor Dayton’s proposal would ensure that Minnesotans do not lose exemptions for the Minnesota Property Tax Refund as a result of the 2017 Federal Tax Law enacted by President Trump and Republicans in Congress. The Governor’s proposal will prevent Minnesotans from losing \$80 million of property tax refund benefits.</p>
<p>Preserving Property Tax Deductions and Other Cost-Saving Tax Benefits for Minnesotans</p>	<p>The 2017 Federal Tax Law enacted by President Trump and Republicans in Congress repealed or reduced many itemized deductions that Minnesota families rely on for cost-saving tax benefits. Governor Dayton’s proposal, however, would preserve those deductions on Minnesotans’ state taxes.</p> <p>Most significantly, the new federal law placed a cap on the federal State and Local Tax deduction, negatively impacting Minnesota taxpayers. To help stem the impact of those lost tax benefits, the Governor’s proposal would allow Minnesotans to continue to subtract the full amount of their Minnesota property taxes. The Governor’s proposal would allow taxpayers to take the standard</p>

	<p>deduction at the federal level and itemize deductions at the state level.</p> <p>Other important benefits preserved by the Governor’s plan include:</p> <ul style="list-style-type: none"> • Unreimbursed employee expenses • Interest on home equity loans • Mortgage interest on new purchases • Casualty losses • Moving expenses and reimbursements • Charitable donations <p>Preserving these benefits would protect Minnesota families from unfair tax increases. For example:</p> <ul style="list-style-type: none"> • An employee who travels from different sites for their job and does not get reimbursed by their employer would keep their state tax exemption on those expenses. • A family that donates \$400 per year and takes the federal standard deduction, but itemizes deductions for Minnesota, would continue to be able to deduct that amount from their state taxes. • A family that suffered through a house fire would still be able to deduct those losses from their state taxes.
<p>Allowing Minnesotans to Deduct Contributions for Disaster Relief from Their State Taxes</p>	<p>When hurricanes, tornadoes, wildfires, and other natural disasters happen in our country, or around the world, Minnesotans often give generously to disaster relief efforts to help our friends and neighbors pick up the pieces of their lives. Governor Dayton’s proposal would match federal changes by removing limits on the amount that Minnesotans can deduct from their state taxes for contributions they make to disaster relief efforts – supporting our state’s proud tradition of philanthropy and assistance in times of disaster.</p>
<p>Protecting Important Tax Deductions for Mortgage Debt and Tuition Payments</p>	<p>Governor Dayton’s proposal would protect Minnesotans’ tax benefits for paid tuition for higher education and career training, mortgage debt forgiveness, and mortgage insurance premiums. Unless the Legislature takes action, Minnesotans will not be able to utilize these benefits. The Governor’s proposal would protect these tax benefits for an estimated 120,000 Minnesotans. Minnesotans who deduct their higher education tuition from state taxes would save an average \$96 per year.</p>
<p>Holding Down Property Tax Costs for Minnesota Seniors</p>	<p>Older Minnesotans are often on limited incomes, and the cost of property taxes can cut into seniors’ budgets. The Senior Citizens Property Tax Deferral Program provides tax savings to seniors who are having difficulty paying their homestead property taxes. The program limits the amount of property taxes that eligible seniors have to pay to just 3 percent of their total household incomes, saving eligible Minnesota seniors \$1.2 million a year.</p>

	Right now, in order to be eligible for the benefit, seniors have to own or occupy their homes for 15 years. Governor Dayton’s proposal would reduce that requirement to just 5 years, and move the application date deadline from July 1st to November 1 st – giving Minnesota seniors more time to access this important tax benefit.
Expanding Homestead Eligibility Tax Benefits to All Minnesotans	In order to qualify for some cost-saving tax benefits – including property tax refunds, lower property taxes, and more – Minnesotans need to “homestead” their home or primary property. But not all Minnesotans who own a home or property are allowed to declare a homestead, even though they pay state and local taxes. Governor Dayton’s proposal would allow more property owners to qualify for homestead classification by including taxpayers with an Individual Taxpayer Identification Number (ITIN) to qualify.

Tax Law Changes for Minnesota Businesses

Policy	Description
Providing Small Businesses and Farmers Over \$100 Million in Tax Cuts for Their Equipment Expenses	The 2017 Federal Tax Law allows businesses – especially small businesses and farmers to more quickly deduct their expenses on the equipment they need to run and grow their operations – saving them more money up front. In order for Minnesota small businesses and farmers to benefit from this “Section 179 Expensing” tax benefit, the State of Minnesota needs to “conform” this part of our state tax code to federal law. Governor Dayton’s proposal would conform this part of Minnesota’s tax code to the new federal law, allowing full Section 179 expensing and providing Minnesota small businesses and farmers over \$100 million in up-front tax cuts.
Making Taxes Simpler and Easier to File for Minnesota Businesses	Governor Dayton’s proposal would match the federal law changes to for a number of additional business provisions that will simplify record keeping and tax filing. For example, the Governor’s proposal includes conforming to a number of changes, most significantly allowing for more businesses – especially pass through businesses – to use different types of accounting methods to simplify filing and reduce their tax burdens.
Limiting the Business Interest Deduction	Right now, state law and federal law allow businesses to deduct 100 percent of their interest. The new 2017 Federal Tax Law changed that law for businesses in the United States, limiting the amount of interest they can deduct. Governor Dayton’s proposal would “conform” to this part of the new federal tax law. The Governor’s proposal would allow businesses with gross receipts of less than \$25 million per year to continue deducting 100 percent of their interest – ensuring that smaller businesses can take advantage of additional tax benefits and more flexibility.
Provide Businesses	The 2017 Federal Tax Law allows larger businesses the additional opportunity for tax savings with “bonus depreciation” for equipment

Expanded Equipment Expense Opportunities	purchases. Governor Dayton’s proposal would conform the way Minnesota has in the past to simplify tax filing for these businesses.
Conforming to Federal Law Changes on Foreign Income	The federal law imposes a one-time tax on businesses that have stored their profits in foreign subsidiaries Beginning in 2018, businesses will be allowed to bring that money back to the United States without paying an income tax for a limited period of time at a much lower tax rate. Governor Dayton’s proposal would make an adjustment that the new federal tax law made to tax deferred foreign income and other foreign income.
Cracking Down Tobacco Tax Law Evasion	Governor Dayton’s proposal would crack down on tobacco tax evasion by some taxpayers, create fairness among those who sell similar tobacco products, standardize taxation of vapor products, and improve public health by reducing access to cheap tobacco (particularly among younger Minnesotans).
Increasing the Angel Tax Credit for 2018	Minnesota's Angel Tax Credit provides a 25 percent credit to investors or investment funds that put money into new technology start-up companies. The initiative has helped over 345 Minnesota businesses in growing industries like software, biotechnology, and medical devices secure needed startup capital. Governor Dayton’s proposal would increase Angel Tax Credit funding by \$10 million for tax year 2018 – allowing more investors to help build and expand new businesses, and create jobs.
Corporate Tax Reform	Governor Dayton’s proposal would end advantageous tax breaks for certain types of businesses, level the playing field for certain business transactions, and simplify corporate taxes by clarifying current laws. This package includes six individual proposals, effective for tax years beginning in 2018. For example, the Governor’s proposal would consistently tax mutual fund income based on where the mutual fund shareholders are located.
Modifying the Qualified Data Center Exemption	In 2011, Governor Dayton signed into law a change in the tax code to exempt qualified data centers that locate in Minnesota from paying state taxes. That tax change helped spur the creation of new data center businesses in Minnesota. However, the cost of that tax exemption has ballooned well beyond all projections. The Governor’s proposal would allow the tax exemption only for software that is required to operate, maintain, or monitor enterprise technology information equipment in the qualified data centers. The limitation does not apply to new data centers with a minimum investment of over \$200 million within 48 months.

Repealing Unaffordable 2017 Tax Law Changes

Governor Dayton’s proposal would repeal unaffordable tax breaks enacted last year by Republicans in the Minnesota Legislature that have threatened the long-term stability of our state’s budget. It would roll back tax breaks for big tobacco companies, huge property tax cuts for corporations, and estate tax cuts for

the wealthiest Minnesotans. If left unchanged, these unaffordable tax policies would cost a total of more than \$1.5 billion over the next decade – risking the budget stability that Governor Dayton has fought hard for seven years to achieve.

Policy	Description
<p>Eliminating Tax Breaks for Big Tobacco Companies</p>	<p>In 2013, Governor Dayton increased taxes on cigarettes and other tobacco products, which pushed smoking rates among youth and adults to historic lows – with cigarette use decreasing among 11th graders by a whopping one-third and by 10 percent among adults.</p> <p>But last year, Republicans in the Legislature insisted upon cutting taxes for big tobacco companies. This handout to the tobacco industry is projected to cost the state more than \$300 million over the next ten years.</p> <p>Governor Dayton’s proposal would reverse the tax cut on premium cigars, and restore the inflator on cigarettes and tobacco products to ensure prices keep pace with the inflation to discourage children from smoking and help adult smokers quit.</p>
<p>Reversing Permanent Tax Breaks for Big Businesses</p>	<p>Last year, Republicans in the Legislature gave big businesses a huge tax break even as average Minnesotans’ expenses and costs-of-living continue to go up.</p> <p>While the Governor supported a tax cut that would have provided property tax relief to help small businesses, Republicans’ insistence on giving business property taxpayers a break of over \$1 billion in the next 10 years, disproportionately benefits out-of-state owners of buildings like the IDS Tower and the Mall of America.</p> <p>Governor Dayton’s proposal would reverse this giveaway to big business to protect the state’s finances and make our taxes fair for average Minnesotans.</p>
<p>Reversing Tax Breaks for the Wealthiest 1,000 Minnesota Estates</p>	<p>Republicans in the Legislature insisted on giving a big tax break to the wealthiest 1,000 Minnesota estates last year, which will cost the state more than \$250 million over the next decade. This proposal does nothing to help family farms and family-owned businesses, and will only help the super wealthy to avoid paying their fair share of taxes. Governor Dayton’s proposal would make the \$2.4 million estate tax exemption permanent to reverse the reckless tax-giveaway to the super rich while maintaining the \$5 million benefit to family farms and small businesses.</p>

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To learn more about other proposals included in Governor Dayton’s Budget for a Better Minnesota, [CLICK HERE](#).