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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 821

02/07/2019 Authored by Anderson
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income and corporate franchise; updating certain
1.3 references for changes in federal law; conforming to section 179 expensing
1.4 allowances for farm machinery; amending Minnesota Statutes 2018, sections
1.5 290.01, subdivision 19; 290.0131, subdivision 10; 290.0133, subdivision 12.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2018, section 290.01, subdivision 19, is amended to read:

1.8 Subd. 19. Net income. The term "net income" means the federal taxable income, as
1.9 defined in section 63 of the Internal Revenue Code of 1986, as amended through the date
1.10 named in this subdivision, incorporating the federal effective dates of changes to the Internal
1.11 Revenue Code and any elections made by the taxpayer in accordance with the Internal
1.12 Revenue Code in determining federal taxable income for federal income tax purposes, and
1.13 with the modifications provided in sections 290.0131 to 290.0136.

1.14 In the case of a regulated investment company or a fund thereof, as defined in section
1.15 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
1.16 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
1.17 except that:

1.18 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
1.19 Revenue Code does not apply;

1.20 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue
1.21 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest
1.22 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;
1.23 and

2.1 (3) the deduction for dividends paid must also be applied in the amount of any  
 2.2 undistributed capital gains which the regulated investment company elects to have treated  
 2.3 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

2.4 The net income of a real estate investment trust as defined and limited by section 856(a),  
 2.5 (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable  
 2.6 income as defined in section 857(b)(2) of the Internal Revenue Code.

2.7 The net income of a designated settlement fund as defined in section 468B(d) of the  
 2.8 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal  
 2.9 Revenue Code.

2.10 The Internal Revenue Code of 1986, as amended through December 16, 2016, shall be  
 2.11 in effect for taxable years beginning after December 31, 1996. The provisions of section  
 2.12 13101 of the act to provide for reconciliation pursuant to titles II and V of the concurrent  
 2.13 resolution on the budget for fiscal year 2018, Public Law 115-97, increasing expensing  
 2.14 limitations for section 179 property are effective at the same time they became effective for  
 2.15 federal purposes.

2.16 Except as otherwise provided, references to the Internal Revenue Code in this subdivision  
 2.17 and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net  
 2.18 income for the applicable year.

2.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.20 Sec. 2. Minnesota Statutes 2018, section 290.0131, subdivision 10, is amended to read:

2.21 Subd. 10. **Section 179 expensing.** 80 percent of the amount by which the deduction  
 2.22 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
 2.23 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
 2.24 December 31, 2003, is an addition. The addition under this subdivision does not apply to  
 2.25 deductions of expenses paid or incurred for farm machinery, as defined in section 297A.61,  
 2.26 subdivision 12, placed in service in taxable years beginning after December 31, 2017.

2.27 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 2.28 after December 31, 2017.

2.29 Sec. 3. Minnesota Statutes 2018, section 290.0133, subdivision 12, is amended to read:

2.30 Subd. 12. **Section 179 expensing.** 80 percent of the amount by which the deduction  
 2.31 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
 2.32 deduction allowable by section 179 of the Internal Revenue Code, as amended through

3.1 December 31, 2003, is an addition. The addition under this subdivision does not apply to  
3.2 deductions of expenses paid or incurred for farm machinery, as defined in section 297A.61,  
3.3 subdivision 12, placed in service in taxable years beginning after December 31, 2017.

3.4 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
3.5 after December 31, 2017.