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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 518

01/31/2019 Authored by Marquart, Fabian, Davids, Petersburg and Erickson
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; income; providing conformity to federal changes for section
1.3 168 bonus depreciation; eliminating the addition for 168 bonus depreciation;
1.4 amending Minnesota Statutes 2018, sections 290.01, subdivision 19; 290.0131,
1.5 subdivision 9; 290.0133, subdivision 11.

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, except the provisions of
2.12 section 13201 of Public Law 115-97, relating to section 168 bonus depreciation, are effective
2.13 retroactively at the same time they became effective for federal purposes.

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

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

2.18 Sec. 2. Minnesota Statutes 2018, section 290.0131, subdivision 9, is amended to read:

2.19 Subd. 9. **Bonus depreciation.** (a) Effective for property placed in service before
2.20 September 27, 2017, 80 percent of the depreciation deduction allowed under section 168(k)
2.21 of the Internal Revenue Code is an addition.

2.22 (b) For the purposes of this subdivision, if the taxpayer has an activity that in the taxable
2.23 year generates a deduction for depreciation under section 168(k) of the Internal Revenue
2.24 Code and the activity generates a loss for the taxable year that the taxpayer is not allowed
2.25 to claim for the taxable year, "the depreciation deduction allowed under section 168(k)" for
2.26 the taxable year is limited to excess of the depreciation claimed by the activity under section
2.27 168(k) over the amount of the loss from the activity that is not allowed in the taxable year.
2.28 In succeeding taxable years when the losses not allowed in the taxable year are allowed,
2.29 the depreciation under section 168(k) is allowed.

2.30 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
2.31 after December 31, 2016.

3.1 Sec. 3. Minnesota Statutes 2018, section 290.0133, subdivision 11, is amended to read:

3.2 Subd. 11. **Bonus depreciation.** Effective for property placed in service before September
3.3 27, 2017, 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and
3.4 (k)(4)(A) of the Internal Revenue Code is an addition. For purposes of this subdivision, if
3.5 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
3.6 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
3.7 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
3.8 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
3.9 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
3.10 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
3.11 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
3.12 under section 168(k)(1)(A) and (k)(4)(A) is allowed.

3.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
3.14 after December 31, 2016.