Minnesota H.F. 5 Conformity to Federal Tax Provisions

This table provides highlights of H.F. 5's conformity to federal tax reform provisions affecting the calculation of individual taxable income. Contact CLA's state and local tax professionals for assistance.

Item	Outcome of H.F. 5
Starting Point	• Changed from federal taxable income (FTI) to federal adjusted gross income (AGI), consistent with the approach used on Minnesota's 2018 return. • Minnesota's nonconformity to the federal deduction for qualified business income (QBI) under IRC Section 199A continues.
Exemptions	Creates a $4,250-per-dependent exemption, but eliminates the personal exemption. This is a change from prior Minnesota law, which allowed both dependent and personal exemptions. It is effective for 2019.
Standard Deduction	• Creates a Minnesota-specific standard deduction, which is $24,400 for married filing jointly taxpayers, $12,000 for singles, and $18,350 for heads of household. It is effective for 2019. • These amounts match the new standard deductions enacted under federal tax reform, and are roughly twice the amounts used under prior Minnesota law.
Itemized Deductions	Creates Minnesota-specific itemized deductions, all effective 2019: • **Taxes paid:** State and local taxes paid are deductible up to $10,000 (prior state law did not place any cap on the deductibility of property taxes) • **Charitable contributions:** Deduction limit increased to 60 percent of AGI (prior state law capped this deduction at 50 percent of AGI) • **Home mortgage interest:** Deductibility decreased from interest on the first $1 million of debt to the first $750,000 of debt • **Medical expenses:** Deductibility set at amounts exceeding 10 percent of AGI (consistent with prior state law, even though federal tax reform used a floor of 7.5 percent of AGI for 2017 and 2018, but raised it to 10 percent of AGI for 2019). • **Unreimbursed employee expenses:** Deductible in excess of 2 percent of AGI (consistent with prior state law; this deduction was repealed on the federal level). • **Other miscellaneous deductions subject to the 2 percent AGI floor:** Deductions, are no longer available for items such as tax preparation services (follows federal tax reform; prior state law allowed these deductions in excess of 2 percent of AGI) • **Losses:** Allows a state-level deduction for personal casualty/theft losses exceeding 10 percent of AGI (consistent with prior state law; federal tax reform limited the deduction to losses associated with a federally-declared disaster)

