

MUCA Legislative Session Recap

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The legislative session came to relatively orderly close at midnight on Monday with numerous bills being shuttled between the House and Senate before being sent to Gov. Dayton. However, on May 23, the governor exercised his veto authority to strike down two major bills passed by the legislature.



Tax Conformity/Relief

The legislature produced two bills addressing how to conform to federal tax code changes and provide tax relief to Minnesotans. However, both bills were vetoed by Gov. Dayton and in absence of tax conformity, Minnesotans face a complicated 2019 tax filing season. The second attempt also numerous education provisions asked for by the governor.

The proposed changes are too numerous to list, but they include both major changes in the definition of the tax base for individual income (both personal and business related provisions) and corporate taxation. Some of the major changes – adopted by the article (because they would have affected the calculation of federal adjusted gross income or FAGI). Some highlights of the bill include:

- Dozens of provisions to conform to a federal tax code overhaul which was passed by Congress in December 2017
- Changes the starting point for calculating individual income taxes for individuals from federal taxable income (FTI) to federal adjusted gross income (FAGI)
- According to the House and Senate authors, the agreement protected 99.8% of Minnesotans from a tax increase, and prioritizes economic growth
- Expanded section 179 and bonus depreciation rules apply, essentially allowing current deduction for investments in most equipment
- The use of active losses from one business to reduce other income (e.g., wages, investment income, or income from another business) were subject to dollar limits (\$500,000, married joint filers; \$250,000 for others)
- Net operating loss carrybacks are eliminated and carryovers limited to 80 percent of the loss
- Protected popular deductions for mortgage interest, state and local taxes, home equity loan interest, and charitable donations
- Reduced the lowest income tax bracket to drop from the current 5.35% to 5.3% this biennium and 5.25% beginning in FY2019
- Reduced the second tier income tax bracket to drop from the current 7.05% to 6.95% this biennium, and 6.85% beginning in FY2019
- Repealed the corporate alternative minimum tax (AMT)
- Adopted the changes to the Internal Revenue Code made since December 16, 2016, for purposes of the individual income and corporate franchise taxes

By not conforming to federal tax changes, Minnesota corporations and businesses will see a much more complicated state filing process and likely see tax increases.

Bonding Bill

With minutes to spare before the constitutional adjournment deadline, legislators passed a Capital Investment bill which invests [\\$825 million](#) in general obligation bonds and authorizes investments from other funding sources to total \$1.5 billion in construction projects. The bill provides funding for projects that range from money to design a new Stone Arch Bridge, build a new visitor center at historic Fort Snelling, fund clean and waste water projects as well as focus funding on numerous road and bridge construction projects all across Minnesota.

Some provisions of interest to MUCA members include:

- \$542 million in transportation projects (primarily roads and bridges)
- \$123.3 million for Public Facilities Authority projects
 - \$20 million for state matching funds for USEPA Capitalization Grants
 - \$25 million for drinking water WIF projects
 - \$14.5 million for waste water WIF projects
 - \$38.4 million for point source implementation supplemental grants

Gopher State One Call / Utility Contact Numbers

MUCA and the Association of General Contractors legislation to require utilities to provide and Gopher State One Call to collect maintain and update contact information for each operator in Minnesota is included in the legislature's supplemental budget that was vetoed by Gov. Dayton. Though the provision was vetoed, discussions between contractors, utilities and GSOC will hopefully still produce better information being available in the field for contractors.

Thanks to Jerome Vikse, Duininck, Inc. for testifying in support. Thank you again to Senator Andrew Lang, Sen. Warren Limmer, Rep. Tim Miller and Rep. Dave Baker for their support of utility contractors on this important issue.



Project Build

The House Omnibus Supplemental Budget Bill contained \$400,000 to invest in Project Build Minnesota to help aid the construction industry in raising awareness, finding and developing our quality contractors for tomorrow continues to move forward at the Legislature. Although MUCA Executive Director Stephanie Menning and other supporters at the legislature in support of the program, the provision was not included in the legislature's supplemental budget bill that was vetoed by Gov. Dayton.

Service Hours Exemption

MUCA was successful in adding a provision to the House Omnibus Transportation Bill and ultimately to the legislature's supplemental budget bill to provide a service hours exemption for utility work on road construction projects. Jean Spaulding from Quam Construction provided testimony on how this provision will bring clarity and efficiency to utility work on road construction projects. Unfortunately, this important provision was also contained in the legislature's supplemental budget bill that was vetoed by Gov. Dayton.



Constitutional Amendment to Support Transportation Funding

Legislation proposing a constitutional amendment be placed on the general election ballot in November to constitutionally dedicate all the sales tax collected on auto parts, as well as the sales tax on leased vehicles and rental vehicles to fund transportation construction projects will not be on the November ballot.

While approved by the House [76-54](#), the provision could not gain enough support in the Senate to advance. MUCA supports prioritizing road construction and joins other groups such as AGC and the Minnesota Chamber of Commerce in supporting the provision.

Sexual Harassment Bill

A bipartisan sexual harassment proposal that could have affected every workplace in Minnesota received a lot of media attention this session. However, the attempt to make a broader change to the "severe or pervasive" legal standard failed in the final days of session. The bill received opposition from groups such as the Minnesota Chamber of Commerce. Anxious the bill would lead to a flood of lawsuits and uncertainty to how the courts would treat new cases fueled the opposition. While the Minnesota House approved the measure as part of a supplemental budget, the measure could not gain momentum for passage. MUCA supported the Minnesota Chamber of Commerce's opposition.