

May 14, 2018

The Honorable Governor Mark Dayton
130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

The Honorable Senator Roger Chamberlain, Chair
Senate Tax Committee
3225 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Representative Greg Davids, Chair
House Tax Committee
585 State Office Building
St. Paul, MN 55155

Dear Gov. Dayton, Senator Chamberlain and Representative Davids:

Thank you for the hours you have spent this session analyzing the impacts of the Tax Cuts and Jobs Act of 2017 (TCJA), and determining which items to conform to in Minnesota's tax code. We appreciate the time you've spent meeting with our CPA members and other stakeholders on this important statewide issue. As we approach the final days of the 2018 legislative session, we write to remind you of the importance of addressing conformity this year.

We appreciate that conformity is a priority this session. Further, it's great to see agreement on items such as shifting from federal taxable income to adjusted gross income. However, there is still a lot of important work to be done to reduce complexity for taxpayers in the coming year.

What does this complexity look like? Here are some examples of how not addressing conformity will increase costs and compliance burdens on Minnesotans:

- Taxpayers are being encouraged to review their withholdings and make any necessary adjustments resulting from the TCJA. This is difficult for Minnesota taxpayers to do now when they don't know which items the state will conform to in 2018. When taxpayers have to guess how much to withhold, it could result in a surprise tax bill come filing season.
- Many deductions were removed with the passage of the TCJA. But, at this time, it's uncertain if Minnesota will allow deductions that the federal government does not. Taxpayers are having to unnecessarily keep or toss substantiating records because they're unsure what will be needed to comply with Minnesota's tax code.
- Some businesses may benefit from restructuring in order to take advantage of some of the TCJA's changes. These decisions are complex with long term impacts, and should not be done without Minnesota's conformity decisions.

- When Minnesota conforms to federal changes retroactively, it may require taxpayers to file amended returns. As a result, tax preparation fees increase, creating a lot of unnecessary time and expense for the taxpayer.

An agreement on conformity will provide clear guidance and certainty for taxpayers. If conformity is delayed until next session (January 2019), Minnesotans will face unprecedented uncertainty and be forced to make decisions without knowing all the facts. It would be like trying to put a jigsaw puzzle together without a picture to follow, and knowing pieces are missing from the box.

Again, we thank you for all your work on the tax bill and encourage all parties to continue to seek resolution on this issue this year. Addressing conformity will help taxpayers' decision-making process, and allow their advisers to help them plan ahead with minimal surprises at filing time next year.

Sincerely,

Rebecca Keran, CPA
Chair, MNCPA board of directors

Linda Wedul, CAE
President

CC:

Senator Paul Gazelka, Majority Leader
Representative Kurt Daudt, Speaker of the House
Senator Tom Bakk, Minority Leader
Representative Melissa Hortman, Minority Leader
Senator Paul Anderson
Senator Gary Dahms
Senator Mark Johnson
Senator Eric Pratt
Representative Sondra Erickson
Representative Jerry Hertaus
Representative Paul Marquart
Representative Joe McDonald
Commissioner Cynthia Bauerly, Department of Revenue