



News Release

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Minnesota Department of Revenue releases 2011 Tax Incidence Study

~ Media availability at 11 a.m. Wednesday, March 16 ~

Saint Paul – The Minnesota Department of Revenue released its 2011 Minnesota Tax Incidence Study today, based on tax year 2008 data and the November 2010 forecast. The biennial study examines the overall burden, or effective tax rate, of state and local taxes on households at different income levels.

In 2008, lower- and middle-income households paid a substantially higher percentage of income in state and local taxes than high-income households, according to the study.

“Minnesota’s tax system is more regressive than it was a decade ago,” acting Revenue Commissioner Dan Salomone said. “Despite a slight improvement over the last study, the system remains notably more regressive than the historical average since 1991.”

The overall state and local tax burden averaged 11.5 percent of income in 2008. The state’s highest-income taxpayers – the 10 percent of households earning more than \$130,000 – paid an effective tax rate of 10.3 percent. The remaining 90 percent of low- and middle-income households paid a substantially higher effective tax rate of 12.3 percent.

While there are many factors affecting tax incidence, the state’s tax structure and income distribution can play a major role. Since 2001, the income gap between top earners and the rest of the population has grown larger. In addition, local taxes – mostly property taxes – have assumed a larger share of the overall mix of taxes.

Minnesota’s income tax is progressive – increasing as income rises – but not progressive enough to outweigh the regressive nature of other major state and local taxes. Property and consumption taxes are inherently regressive, even with state tax credits for eligible homeowners and renters. That’s because these taxes are based on the value of purchases or property rather than a taxpayer’s ability to pay.

In 2008, Minnesota’s economy remained relatively strong, which increased the share of household income going to those in the upper brackets, noted Paul Wilson, Ph. D., the department’s tax research director. Meanwhile a smaller share went to the 80 percent of households in the middle and lower brackets.

This year’s study, which includes projections for 2013, analyzes \$23.8 billion – over 99 percent of all state and local taxes – collected from Minnesota households and businesses in 2008. It is the 11th biennial report since the Legislature mandated a biennial tax incidence study in 1990.

Media Availability

Research Director Paul Wilson, Ph. D., will be available to discuss the study's findings during an editorial forum and Q&A session at 11 a.m. Wednesday, March 16, in public room 2020 at the Department of Revenue, 600 N. Robert St., St. Paul.

The *2011 Minnesota Tax Incidence Study* is available at www.taxes.state.mn.us.