



News Release

CONTACT Ryan Brown
PHONE 651-556-6750
E-MAIL ryan.brown@state.mn.us

FOR IMMEDIATE RELEASE

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Contact: Ryan Brown

ryan.brown@state.mn.us

Department of Revenue releases 2013 tax incidence study

St. Paul, Minn. – The Minnesota Department of Revenue today released the 2013 Tax Incidence Study based on tax year 2010 data and November 2012 forecast. The study is a measure of overall burden, or effective rate, of Minnesota’s state and local taxes based on income levels. The study is required to be completed every two years under state law.

In 2010, lower- and middle-income households paid a higher percentage of income in state and local taxes than high-income households, according to the study. Minnesota’s tax system remained more regressive than the historical average since 1990, and slightly more regressive than in the previous study.

“Our overall tax system has been regressive for a number of years and this study confirms what we already know: lower-and middle-income Minnesotans continue to pay a larger share of their income in state and local taxes than higher-income Minnesotans,” said Revenue Commissioner Myron Frans.

The overall state and local tax burden averaged 11.5 percent of income in 2010. 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 an average effective tax rate of 12.4 percent.

Minnesota’s income tax continues to be the most progressive element of the state’s tax system. However, it is 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.

The 2013 Tax Incidence Study will be posted on the Department of Revenue website this afternoon. Visit www.revenue.state.mn and click the “Research and Statistics” tab.

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