



News Release

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

FOR IMMEDIATE RELEASE

March 10, 2015

Contact: Ryan Brown

ryan.brown@state.mn.us

Department of Revenue releases 2015 Tax Incidence Study

St. Paul, Minn. – The Minnesota Department of Revenue released the 2015 Tax Incidence Study yesterday.

The study shows the overall effective tax rate was 11.5% in 2012 and is projected to decrease to 11.4% in 2017. The effective tax rate is the net tax rate a taxpayer pays on income that includes all forms of taxes. It is calculated by dividing the total tax paid by taxable income.

The major tax law changes enacted in 2013 and 2014 – the property tax refund, Working Family Credit expansion, fourth tier, tobacco tax increase, and estate tax cuts – together are projected to make Minnesota’s tax system noticeably less regressive.

“We’re moving in the right direction. Effective tax rates are going down and our tax system is moving in the direction of progressivity,” said Revenue Commissioner Cynthia Bauerly.

Effective tax rates are going down in nine of the ten deciles, only increasing by 0.2% for the top earners. The state’s highest-income taxpayers continue to have a lower effective tax rate than any other decile. The study projects that 10 percent of households earning more than \$165,871 in 2017 will pay an effective tax rate of 10.7 percent. The remaining 90 percent of low- and middle-income households are projected to pay an average effective tax rate of 11.9 percent in 2017.

Overall, the Suits index, a measure of tax progressiveness, shows that Minnesota’s income tax continues to be the most progressive element of the state’s tax system. Other major state and local taxes are regressive. Property and consumption taxes are inherently regressive because they are based on the value of purchases or property rather than a taxpayer’s ability to pay. While the cigarette tax is regressive, it was enacted with the goal to reduce the number of people using cigarettes and reduce the future health costs related to the use of cigarettes and tobacco.

View the [2015 Tax Incidence Study](#) on our website.

News Release

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

The study is required to be completed every two years under state law, and is based on 2012 data.

Follow the latest news and updates from the Minnesota Department of Revenue on [Twitter](#) and [Facebook](#).

###