

2007 Supplement to the Minnesota Tax Handbook

This supplement to the 2006 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in the regular and first special sessions of the 2007 Minnesota Legislature. The page references are to the 2006 Edition. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2008, and state tax collections for fiscal year 2007.

The 2006 Edition of the Minnesota Tax Handbook can be found on the Department of Revenue web site at <http://www.taxes.state.mn.us/reports/reports.html>

Minnesota Department of Revenue
Tax Research Division
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History of Major Changes

STATE TAXES

Individual Income Tax, Page 8

2007 – Adopted federal provisions, including deductions for tuition and educator expenses, for tax year 2006 only.

Corporate Franchise Tax, Page 13

2007 – Adopted federal provisions for tax year 2006 only.

**Rates of Major State Taxes
As of January 1, 2008**

Individual Income Tax: Tax Year 2008

Rates and Taxable Income Brackets

	<u>5.35% up to</u>	<u>7.05%</u>	<u>7.85% over</u>
Married Joint	\$31,860	\$31,861 - \$126,580	\$126,580
Married Sep.	\$15,930	\$15,931 - \$63,290	\$63,290
Single	\$21,800	\$21,801 - \$71,590	\$71,590
Head of Hshld.	\$26,830	\$26,831 - \$107,820	\$107,820

Corporate Franchise Tax: 9.8%

General Sales and Use Tax: 6.5%

Motor Vehicle Sales Tax: 6.5%

Motor Fuels Excise Taxes

Highway gasoline and diesel: 20¢ per gallon
Aviation fuels: 0.5¢ - 5¢ per gallon

Alcoholic Beverage Taxes

Distilled spirits: \$5.03 per gallon
Beer: more than 3.2% alcohol \$4.60 per barrel
3.2% or less: \$2.40 per barrel
Wine: \$.30 - \$3.52 per gallon

Cigarette Tax and Fee: \$1.23 per pack of 20 cigarettes

Tobacco Products Tax and Fee: 70% of wholesale price

Mortgage Registry Tax: 0.23% of principal debt

Deed Transfer Tax: 0.33% of consideration

Motor Vehicle Registration Tax: \$10 plus 1.25% of base value based on age for passenger cars, pickup trucks, and vans. Maximum tax of \$189 for first renewal period and \$99 for subsequent ones. Trucks, tractors, and buses based on type, weight, and age of the vehicle.

State General Property Tax: for taxes payable in 2008, 45.949% of the net tax capacity of commercial and industrial property; 20.385% for seasonal recreational property.

**Class Rates for Major Classes of Property Tax
Taxes Payable in 2008**

<u>Class and Type of Property</u>	<u>Net Class Rate</u>
1a Residential homestead	
First \$500,000 market value (MV)	1.0%
Over \$500,000 MV	1.25%
1b Homestead of blind or disabled	
First \$32,000 MV	0.45%
Excess is Class 1a or 2a	
1c Homestead resorts	
First \$500,000 MV	0.55%
Next \$1,700,000 MV	1.0%
Over \$2,200,000 MV	1.25% ^b
1d Seasonal farm worker housing - same as Class 1a	
2a Agricultural homestead	
House, garage, and one acre - same as Class 1a	
Remaining land and buildings	
First \$790,000 MV	0.55% ^a
Over \$790,000 MV	1.0% ^a
2b Nonhomestead agricultural land; timberland	1.0% ^a
3a Commercial and industrial, utility real property	
First \$150,000 MV	1.5% ^b
Over \$150,000 MV	2.0% ^b
Public utility machinery	2.0% ^{b,c}
3b Employment property – same as Class 3a ^b	
4a Apartments, 4 or more units; private hospitals	1.25%
4b Residential or farm nonhomestead, 2-3 units; manufactured homes	1.25%
4bb Residential or farm nonhomestead, 1 unit – same as Class 1a	
4c Commercial seasonal recreational residential – same as Class 1a ^b	
Post-secondary student housing	1.0% ^a
Manufactured home parks	1.25%
Noncommercial seasonal recreational residential – Same as Class 1a ^{a,b}	
4d Low-income rental housing	0.75%
5 Unmined iron ore and low-grade iron ore	2.0% ^b
All other property	2.0%

^aExempt from school district referendum levies.

^bSubject to state general property tax.

^cElectric generating public utility machinery exempt from state property tax.

Minnesota State Tax Collections Fiscal Year 2007
All Funds - Net After Refunds

	<u>FY 2007 Collections</u>	
	<u>Amount</u>	<u>% of</u>
	(000's)	<u>Total</u>
Individual Income Tax	\$7,230,854	41.84%
Income Tax Reciprocity	63,481	0.37
Corporate Franchise Tax	1,171,101	6.78
Estate Tax	107,599	0.62
General Sales & Use Tax	4,473,954	25.89
Motor Vehicle Rental Tax	14,195	0.08
Motor Vehicle Sales Tax	532,368	3.08
Motor Fuels Excise Taxes	647,940	3.75
Alcoholic Beverage Taxes	72,809	0.42
Cigarette Taxes and Fees	416,584	2.41
Tobacco Products Taxes and Fees	37,202	0.21
Controlled Substances Tax	1	*
Mortgage Registry Tax	149,589	0.87
Deed Transfer Tax	111,532	0.65
Lawful Gambling Taxes	49,116	0.28
Pari-mutuel Tax	1,520	0.01
Insurance Premiums Taxes	328,129	1.90
Health Care Surcharges	238,179	1.38
MinnesotaCare Taxes	397,830	2.30
Fur Clothing Tax	170	*
Mining Occupation Taxes	7,516	0.04
State Property Tax	665,744	3.85
Contamination Tax	133	*
Motor Vehicle Registration Tax	483,991	2.80
Airflight Property Tax	8,351	0.05
Aircraft Registration Tax	4,907	0.03
Rural Electric Co-ops	50	*
Solid Waste Management Taxes	64,356	0.37
Metropolitan Landfill Fee	<u>3,282</u>	<u>0.02</u>
Total	\$17,282,483	100.00%

*Less than .005%