

2009 Supplement to the Minnesota Tax Handbook

This supplement to the 2008 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in 2009. The page references are to the 2008 Edition. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2010, and state tax collections for fiscal year 2009.

The 2008 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

- 2009 – Federal provisions adopted, except for the exclusion of up to \$2,400 of unemployment compensation, the additional standard deductions for real estate taxes and motor vehicle sales tax, the deductions for tuition and teacher classroom expenses, and the deferral of discharge of indebtedness income from the reacquisition of business debt. Federal 50% bonus depreciation and increased Section 179 expensing subject to an addback of 80%, with that amount subtracted over the next five years.
- Credit enacted for new participants in a Section 125 employer health insurance plan equal to 20% of premiums paid by the employee for the first twelve months.

Corporate Franchise Tax, Page 14

- 2009 – Federal provisions adopted, except for the deferral of discharge of indebtedness income from the reacquisition of business debt. Federal 50% bonus depreciation and increased Section 179 expensing subject to an addback of 80%, with that amount subtracted over the next five years.

LOCAL TAXES

General Property Tax, Page 57

- 2009 – Rural Preserve Program enacted (pay 2012).

**Rates of Major State Taxes
As of January 1, 2010**

Individual Income Tax: Tax Year 2010

Rates and Taxable Income Brackets

	<u>5.35% up to</u>	<u>7.05%</u>	<u>7.85% over</u>
Married Joint	\$33,280	\$33,281 - \$132,220	\$132,220
Married Sep.	\$16,640	\$16,641 - \$66,110	\$66,110
Single	\$22,770	\$22,771 - \$74,780	\$74,780
Head of Hshld.	\$28,030	\$28,031 - \$112,620	\$112,620

Corporate Franchise Tax: 9.8%

General Sales and Use Tax: 6.875%

Motor Vehicle Sales Tax: 6.5%

Motor Fuels Excise Taxes

Highway gasoline and diesel: 27.1¢ 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. Trucks, tractors, and buses based on type, weight, and age of the vehicle.

State General Property Tax: for taxes payable in 2010, 45.881% of the net tax capacity of commercial and industrial property; 17.755% for seasonal recreational property.

**Class Rates for Major Classes of Property Tax
Taxes Payable in 2010**

<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 \$50,000 MV	0.45%
Excess is Class 1a or 2a	
1c Homestead resorts	
First \$600,000 MV	0.5%
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 \$1,010,000 MV	0.5% ^a
Over \$1,010,000 MV	1.0% ^a
2b Nonhomestead agricultural land; timberland	1.0% ^a
2c Managed forest land	0.65% ^a
2d Private airport	1.0% ^a
2e Unmined commercial aggregate deposit	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	
Nonprofit community service organization	1.5%
Post-secondary student housing	1.0% ^a
Manufactured home parks	1.25%
Noncommercial seasonal recreational residential – Same as Class 1a ^{a, b}	
Qualifying marinas – same as Class 1a	
Qualifying golf courses	1.25%
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 2009
All Funds - Net After Refunds

	<u>FY 2009 Collections</u>	
	<u>Amount</u>	<u>% of</u>
	(000's)	<u>Total</u>
Individual Income Tax	\$6,988,235	42.34%
Income Tax Reciprocity	75,880	0.46
Corporate Franchise Tax	708,194	4.29
Estate Tax	130,196	0.79
General Sales & Use Tax	4,265,649	25.84
Liquor Gross Receipts Tax	66,402	0.40
Motor Vehicle Rental Tax	14,809	0.09
Motor Vehicle Sales Tax	441,866	2.68
Motor Fuels Excise Taxes	745,760	4.52
Alcoholic Beverage Taxes	76,068	0.46
Cigarette Taxes and Fees	385,112	2.33
Tobacco Products Taxes and Fees	42,531	0.26
Mortgage Registry Tax	101,154	0.61
Deed Transfer Tax	59,700	0.36
Lawful Gambling Taxes	38,769	0.23
Pari-mutuel Tax	705	*
Insurance Premiums Taxes	345,852	2.10
Health Care Surcharges	224,946	1.36
MinnesotaCare Taxes	457,243	2.77
Fur Clothing Tax**	67	*
Mining Occupation Taxes	22,821	0.14
State Property Tax	729,373	4.42
Contamination Tax	163	*
Motor Vehicle Registration Tax	501,441	3.04
Airflight Property Tax	7,964	0.05
Aircraft Registration Tax	6,213	0.04
Rural Electric Co-ops	49	*
Solid Waste Management Taxes	66,252	0.40
Metropolitan Landfill Fee	<u>2,856</u>	<u>0.02</u>
Total	\$16,506,270	100.00%

* Less than .005%

** Tax repealed, effective 7/1/08.