INDIVIDUAL INCOME TAX
Rate Decreases

March 15, 2011

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue
Analysis of H.F. 1003 (Stensrud), As Proposed to be Amended (H1003DE1)

	Fund Impact			
	F.Y. 2012	**F.Y. 2013**	**F.Y. 2014**	**F.Y. 2015**
	(000's)			
General Fund	($61,100)	($160,100)	($315,500)	($470,800)

Effective for tax years beginning after December 31, 2011.

EXPLANATION OF THE BILL

This proposal decreases the individual income tax rates for the first and second brackets starting in tax year 2012. For tax year 2012, the first bracket decreases from 5.35% to 5.25% and the second bracket decreases from 7.05% to 6.85%. For tax year 2013, the first bracket decreases from 5.25% to 5.15% and the second bracket remains at 6.85%. For tax years 2014 and after, the first bracket decreases from 5.15% to 4.75% and the second bracket decreases from 6.85% to 6.75%. The 7.85% third bracket rate remains the same.

The proposed tax rates are summarized in the following table:

Tax Year	1st Bracket	2nd Bracket	3rd Bracket
Current Law	5.35%	7.05%	7.85%
2012	5.25%	6.85%	7.85%
2013	5.15%	6.85%	7.85%
2014 and after	4.75%	6.75%	7.85%

The tax year impact is listed below:

Tax Year Impact ($000s)	
TY 2012	($128,700)
TY 2013	($187,900)
TY 2014	($459,300)
TY 2015	($483,000)

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 5.9) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2011. The model uses a stratified sample of 2008 individual income tax returns compiled by the Minnesota Department of Revenue.
- In allocating other tax years to fiscal years, a standard formula was applied.

Number of Taxpayers: For tax year 2012, an estimated 2,012,500 returns would receive a decrease in tax at an average of $64 per return. For tax year 2014, an estimated 2,169,500 returns would receive a decrease in tax at an average of $212 per return.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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