

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX

Increase Bottom Rate to 6.0%.

Increase Middle Rate to 8.0%

Increase Top Rate to 8.5%

Increase AMT Rate to 7.0%

April 13, 2007

Department of Revenue
Analysis of H.F. 1932 (Jaros)

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	\$1,249,700	\$925,600	\$951,700	\$1,019,100

Effective for tax years beginning after December 31, 2006

EXPLANATION OF THE BILL

Starting in tax year 2007, the proposal would increase the bottom income tax rate from 5.35% to 6.0%, the middle rate from 7.05% to 8.0%, the top rate from 7.85% to 8.5%, and the alternative minimum tax rate from 6.4% to 7.0%. The brackets are adjusted yearly for inflation starting in tax year 2008.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 5.5) Model was used to estimate the tax year revenue impact.
- These simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2007. The model uses a stratified sample of 2004 individual income tax returns compiled by the Minnesota Department of Revenue.
- In allocating the tax year impacts to fiscal years, a standard rule of thumb formula was applied.

Number of Taxpayers: For tax year 2007 an estimated 2,072,000 returns would receive an increase in tax for an average of \$396 per return.

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

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