

MINNESOTA • REVENUE

INDIVIDUAL INCOME TYPE Middle Rate Decrease to 6.55%

April 13, 2007

Department of Revenue
Analysis of S.F. 548 (Ortman)/ H.F. 608 (DeLaForest)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	(\$269,700)	(\$200,200)	(\$207,500)	(\$224,400)

(000's)

Effective for tax years beginning after December 31, 2006

EXPLANATION OF THE BILL

Starting in tax year 2007, the proposal would decrease the middle income tax rate from 7.05% to 6.55%. The brackets are adjusted yearly for inflation with tax year 2007 set as the new base.

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 1,153,200 returns would receive a decrease in tax at an average of \$153 per return.

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

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