

February 8, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of H.F. 42 (Hertaus), As Proposed to be Amended (H0042A1)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2020</u></b>	<b><u>F.Y. 2021</u></b>	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>
	(000's)			
General Fund	(\$2,583,000)	(\$1,772,100)	(\$1,851,300)	(\$1,904,000)

Effective beginning tax year 2019.

**EXPLANATION OF THE BILL**

**Current Law:** The current income tax rates and brackets for tax year 2019 are shown in the table below.

Income Tax Rates and Brackets Tax Year 2019				
	5.35%	7.05%	7.85%	9.85%
	up to			over
MJ	\$38,770	\$38,771 - \$154,020	\$154,021 - \$273,150	\$273,150
MS	\$19,390	\$19,391 - \$ 77,010	\$ 77,011 - \$136,580	\$136,580
S	\$26,520	\$26,521 - \$ 87,110	\$ 87,111 - \$163,890	\$163,890
HH	\$32,650	\$32,651 - \$131,190	\$131,191 - \$218,520	\$218,520

**Proposed Law:** The bill reduces each individual income tax rate by 1%. The proposed rates are shown in the following table.

	Current Rate	Proposed Rate	Decrease
	5.35%	4.35%	-1.0%
	7.05%	6.05%	-1.0%
	7.85%	6.85%	-1.0%
	9.85%	8.85%	-1.0%

**REVENUE ANALYSIS DETAIL**

- The House Income Tax Simulation (HITS 6.7) 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 November 2018. The model uses a stratified sample of 2016 individual income tax returns compiled by the Minnesota Department of Revenue.

**REVENUE ANALYSIS DETAIL (Cont.)**

- All of tax year 2019 impact was allocated to fiscal year 2020. Other tax years were allocated to fiscal years using a standard formula.

**Number of Taxpayers:** About 2,384,000 tax returns would be affected in tax year 2019, with an average reduction in tax of \$719.

Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx)