

April 1, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2753 (Gomez)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
	(000's)			
General Fund	(\$100)	(\$400)	(\$900)	(\$1,300)

Effective beginning tax year 2019.

EXPLANATION OF THE BILL

The proposal lowers the 4th bracket thresholds to their 2013 levels beginning in tax year 2019, and increases the 2nd bracket thresholds.

2019 Bracket Comparison								
Married Joint			Single			Head of Household		
Bracket	Current	Proposed	Bracket	Current	Proposed	Bracket	Current	Proposed
2nd	\$38,770	\$40,480	2nd	\$26,520	\$27,690	2nd	\$32,650	\$34,090
3rd	\$154,020	\$154,020	3rd	\$87,110	\$87,110	3rd	\$131,190	\$131,190
4th	\$273,150	\$250,000	4th	\$163,890	\$150,000	4th	\$218,520	\$200,000

The brackets are set so that the impact is almost revenue neutral in tax year 2019. Beginning in 2020, the new brackets would be adjusted yearly for inflation in the same manner as the existing brackets. The impact of each bracket adjustment in isolation by tax year is as follows:

Isolated Tier Impact by Tax Year			
(\$000s)			
	2nd Bracket	4th Bracket	Combined
TY 2019	(\$35,800)	\$35,800	(\$20)
TY 2020	(\$37,400)	\$37,200	(\$300)
TY 2021	(\$38,900)	\$38,200	(\$700)
TY 2022	(\$40,300)	\$39,100	(\$1,200)
TY 2023	(\$41,600)	\$40,000	(\$1,700)

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.7) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2019. The model uses a stratified random sample of tax year 2016 individual income tax returns compiled by the Minnesota Department of Revenue.
- 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 114,400 returns would have a tax increase in tax year 2019. The average increase would be \$288. About 1,295,400 returns would have a tax decrease. The average decrease would be \$25.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx