

Tax Incidence Analysis

Prepared by the Tax Research Division, Minnesota Department of Revenue

October 29, 2019

<p style="text-align: center;">House 2019 Tax Proposals Tax Bill (H.F. 2125, 3rd Engrossment), Transportation Finance Bill (H.F. 1555, 2nd Division Engrossment), Health & Human Services Finance Bill (H.F. 2414, 2nd Engrossment)</p>
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The House bills included the following tax law changes:

House Omnibus Tax Bill

- **Income Tax -- Personal**
 - Start tax calculations with Federal Adjusted Gross Income rather than Federal Taxable Income. Establish a state standard deduction to match the federal standard deduction, repeal personal exemptions, maintain dependent exemptions, and limit itemized deductions to generally match federal law. Reduce the standard deduction based on income in a manner similar to the limitation on itemized deductions.
 - Expand the first income tax bracket, with a reduction in the third bracket to offset the tax reduction for taxpayers with income above that threshold.
 - Impose a 3% tax on capital gains and dividends over \$500,000.
 - Expand the working family credit, including an increase for taxpayers with three or more children.
 - Increase the Social Security subtraction.
 - Modify the student loan credit calculation for married joint filers.
 - Expand the military service credit.
- **Estate Tax:** Maintain the exclusion at \$2.7 million rather than allowing it to rise to \$3 million.
- **Sales Tax:**
 - Limit the existing sales tax exemption for data centers.
 - Clarify collection requirements for online marketplace providers.
 - Create a number of exemptions for specific local government projects.
 - Create an exemption for prizes awarded through lawful (charitable) gambling.
 - Create an exemption for sales by county agricultural societies at county fairs.
 - Create a temporary exemption for purchases for film production.
 - Create an exemption for sales of prepared food to certain nonprofits.
 - Create exemptions for various other selected groups.
- **Cigarette and Tobacco Taxes:** Restore indexing of the cigarette tax rate for inflation and the prior-law tax rates on premium cigars.
- **Property Taxes:**
 - Change the state property tax from a fixed levy to a fixed tax rate.
 - Increase the school building bond credit for agricultural land.
 - Increase aids to cities and counties.
 - Increase property tax refunds to homeowners and renters.
 - Increase border city tax credit allocations.

- **Taxes on Business (Corporate and Non-corporate):**
 - Conform to most federal tax changes in the definition of the income. Include income of controlled foreign corporations that generate global intangible low tax income (GILTI). Include deferred foreign income with Minnesota dividend received deduction. Fully conform to Section 179 expensing.
 - Create an 80% net operating loss (NOL) limitation, similar to the federal limit on NOLs.
 - Enact three Minnesota-specific provisions that expand the corporate tax base.

House Transportation Bill

- **Motor Fuels Excise Tax:** Increase 20 cents over three years and indexing.
- **Registration Tax:** Increase base fee and rate and modify depreciation schedule.
- **Motor Vehicle Sales Tax:** Increase from 6.5 percent to 6.875 percent.
- **Sales Tax:** Implement 1/2 cent sales tax in 7-county metropolitan area.

House Health & Human Services Bill

- Repeal the sunset of the MinnesotaCare provider taxes, permanently maintaining the tax at its current 2% rate beyond December 31, 2019.

These tax law changes would modify the burden of state and local taxes compared to what it would be under prior law. The bill's impact can be estimated using the database and underlying models developed for the *Minnesota Tax Incidence Study*. **Because the latest study projects income and taxes to calendar year 2021, this analysis generally estimates the impact of law changes in that calendar year.**

The analysis is limited to **permanent** changes in tax law. **Law changes that are phased in over several years or have a delayed effective date are modeled as if fully effective in 2021.**

Impact of Proposals on Minnesota State & Local Tax Burdens on Minnesota Residents

HOUSE OMNIBUS TAX BILL

The mix of tax cuts and tax increases in the House Omnibus Tax Bill increases the net tax burden on Minnesota residents by **\$537.8 million**.

- **Income Tax Changes (nonbusiness):** Proposed changes in income tax provisions would raise tax revenue by \$120.2 million, increasing the tax burden on Minnesota residents by **\$78.7 million**. The tax on dividends and capital gains has the largest impact, raising \$202.5 million in tax revenue, 79.2% of which is borne by Minnesota residents. The remaining provisions reduce tax revenue by \$82.3 million (\$81.6 million for Minnesota residents).
- **Income Tax Changes on Non-Corporate Businesses** (sole proprietors, S-corps, and partnerships): Conforming to most of the changes to the federal tax base will raise taxes on non-corporate business income by \$213.1 million, with **\$187.7 million** borne by Minnesota residents.

- **Corporate Tax Changes:** Corporate franchise tax revenue will increase by \$346.8 million. After full adjustment, some of the burden would be borne in higher prices, some in lower wages, and some in lower returns to business owners. Tax burdens for Minnesota residents would rise by an estimated **\$252.8 million** (about 73% of added revenue). The remainder would be borne by nonresidents or the federal government (in lower federal corporate tax revenue). These estimates apply to the long-term burden, after businesses have fully adjusted to the change in tax burdens.
- **Property Tax Changes:** State property taxes on business property and seasonal recreational property will rise by **\$56.7 million**. The net impact on Minnesota residents is estimated to be **\$33.1 million**. Homeowner and renter property tax refunds will increase, decreasing resident tax burdens by **\$48.1 million**. Local property taxes will decrease by \$41.3 million. The net decrease on Minnesota residents is estimated to be \$33.1 million.
- **Sales and Excise Tax Changes:** State sales taxes will rise by \$25.8 million, increasing the tax burden on Minnesota residents by **\$23.7 million**. Cigarette and tobacco taxes will rise by \$12.5 million, with **\$12.1 million** falling on Minnesota residents. The excise tax on wine will increase by \$100,000, with **\$97,000** borne by Minnesota residents. Local sales taxes will also increase by \$20.8 million, of which \$18.2 million is borne by Minnesota residents.

House TRANSPORTATION BILL:

- **Sales and Excise Taxes:** Increases to the Motor Fuels Excise Tax will increase collections by \$525.0 million. The net impact on Minnesota residents is estimated to be **\$453.8 million**. The increase in the rate of the sales tax on motor vehicles will increase collections by \$53.7 million. The net impact on Minnesota residents is estimated to be **\$52.7 million**. The metropolitan area sales tax will raise \$288.1 million, with **\$251.0 million** paid by Minnesota residents.
- **Motor Vehicle Registration Tax:** Changes to the registration tax will increase collections by \$322.7 million. The net impact on Minnesota residents is estimated to be **\$315.2 million**.
- **Income Taxes:** The changes to the registration tax will increase income tax deductions, reducing Minnesota resident income taxes by **\$5.5 million**.

HEALTH AND HUMAN SERVICES BILL

- The full-year impact of the 2% provider taxes in calendar year 2021 is forecast to be \$751.8 million, of which **\$688.6 million** is borne by Minnesota residents.

Law Changes Not Included in this Analysis

- **Temporary changes** to the Angel Investment Credit, the sales tax on construction projects, and conformity to several small federal changes.
- **Timing changes** to the Historic Preservation Credit and in Minnesota's response to the temporary extension of bonus depreciation.
- **Small changes**, including the medical cannabis subtraction, changes to the stillborn credit, and changes in the Unrelated Business Income Tax.

COMBINED IMPACT OF THE TAX, TRANSPORTATION, AND HEALTH AND HUMAN SERVICES BILLS

- The combined increase in tax collections from the three bills is estimated to be \$2.655 billion in 2021, of which **\$2.294 billion** is borne by Minnesota residents.

Results by Population Decile: Change in Minnesota State and Local Tax Burdens

Table 1 shows the changes in dollars of tax burden by decile.

- The average increase in total taxes paid is 7.11%. Increases are higher in the bottom five deciles, averaging 10.2%, than in the top five deciles, averaging 6.5%.
- Residents in the 10th decile will pay 33.9% of the proposed tax increases while those in the first decile will pay 2.6% of the proposed tax increases.

Table 1.
Dollars of Minnesota State and Local Tax Burden
House 2019 Tax Proposals
Estimated Calendar Year 2021 Impact

2021 Population Decile	Income Range	Percent of All Households	Percent of All Income	Minnesota State and Local Tax Burden				
				Current Law Tax Burden (\$1000s)	Proposed Tax Burden (\$1000s)	Change in Tax Burden (\$1000s)	Decile's Share of Total Change in Tax	Percent Increase in Burden Over Prior Law
1	14,528 & under	10%	0.9%	\$ 696,883	\$ 755,727	\$ 58,844	2.6%	8.44%
2	14,529 to 23,941	10%	2.0%	\$ 652,976	\$ 732,409	\$ 79,433	3.5%	12.16%
3	23,942 to 33,681	10%	3.0%	\$ 901,013	\$ 1,007,405	\$ 106,392	4.6%	11.81%
4	33,682 to 44,730	10%	4.0%	\$ 1,198,265	\$ 1,324,606	\$ 126,341	5.5%	10.54%
5	44,731 to 57,679	10%	5.2%	\$ 1,644,243	\$ 1,791,062	\$ 146,819	6.4%	8.93%
6	57,680 to 74,178	10%	6.7%	\$ 2,166,073	\$ 2,337,913	\$ 171,840	7.5%	7.93%
7	74,179 to 96,071	10%	8.7%	\$ 2,878,877	\$ 3,101,597	\$ 222,720	9.7%	7.74%
8	96,072 to 127,270	10%	11.4%	\$ 3,773,063	\$ 4,037,073	\$ 264,010	11.5%	7.00%
9	127,271 to 185,600	10%	15.6%	\$ 5,119,836	\$ 5,459,072	\$ 339,236	14.8%	6.63%
10	185,601 & over	10%	42.5%	\$ 13,229,741	\$ 14,007,557	\$ 777,816	33.9%	5.88%
ALL MINNESOTA HOUSEHOLDS		100%	100.0%	\$32,260,968	\$34,554,420	\$ 2,293,452	100.0%	7.11%

Detail for the 10th Decile

Lower Half	185,601 to 262,353	5%	11.2%	\$ 3,516,975	\$ 3,722,358	\$ 205,383	9.0%	5.84%
Next 4%	262,354 to 636,247	4%	15.3%	\$ 4,711,487	\$ 4,940,288	\$ 228,801	10.0%	4.86%
Top 1%	636,248 & over	1%	16.1%	\$ 5,001,278	\$ 5,344,911	\$ 343,633	15.0%	6.87%
Full Decile	185,601 & over	10%	42.5%	\$ 13,229,741	\$ 14,007,557	\$ 777,816	33.9%	5.88%

Table 2 shows the change in tax burden by decile as a percent of income.

- Minnesota residents' state and local tax burden would increase by an average of 0.83% of income. The increased tax burden is largest for the lowest deciles and declines at higher income ranges. The burden for the top 1 percent of filers would increase by 0.77% of income.

Table 2.
Tax burden as Percent of Income
Impact of Tax Changes in House 2019 Tax Proposals
 Estimated Calendar Year 2021 Impact

2021 Population Decile	Income Range	Percent of All Households	Minnesota State and Local Tax Burden as Percent of Income		
			Current Law	Proposed Law	Change
1	14,528 & under	10%	27.61%	29.92%	2.31%
2	14,529 to 23,941	10%	11.93%	13.37%	1.44%
3	23,942 to 33,681	10%	11.01%	12.30%	1.29%
4	33,682 to 44,730	10%	10.75%	11.88%	1.13%
5	44,731 to 57,679	10%	11.34%	12.35%	1.01%
6	57,680 to 74,178	10%	11.61%	12.52%	0.91%
7	74,179 to 96,071	10%	11.94%	12.86%	0.92%
8	96,072 to 127,270	10%	11.95%	12.78%	0.83%
9	127,271 to 185,600	10%	11.82%	12.60%	0.78%
10	185,601 & over	10%	11.23%	11.89%	0.66%
ALL MINNESOTA HOUSEHOLDS		100%	11.63%	12.46%	0.83%

Detail for the 10th Decile

Lower Half	185,601 to 262,353	5%	11.37%	12.03%	0.66%
Next 4%	262,354 to 636,247	4%	11.13%	11.67%	0.54%
Top 1%	636,248 & over	1%	11.23%	12.00%	0.77%
Full Decile	185,601 & over	10%	11.23%	11.89%	0.66%

Table 3 shows the change in dollars of tax burden by tax type.

- **Personal income tax** reductions are concentrated at lower deciles while income tax increases associated with pass-through businesses are concentrated at higher incomes.
- The lowest five deciles earn 15.1% of all income but are estimated to pay 23% or more of the increases in Corporate, Sales and Excise, Minnesota Care Provider, Motor Fuels, and Vehicle Registration taxes.

Table 3. Change in Minnesota State and Local Tax Burden by Tax Type
House 2019 Tax Proposals

Estimated Calendar Year 2021 Impact, by Tax Type
Dollars in \$1,000s

2021 Population Decile	Income Range	Percent of All Households	Percent of All Income	Change in Tax Burden								
				Income Tax (Personal) & Estate	Income Tax-- Flow- Through*	Corporate Tax	Property Tax Net of PTR	Sales and Excise Taxes	Minnesota Care Provider Taxes	Motor Fuels Tax	Vehicle Registration Tax	Total
1	\$14,528 & under	10%	0.9%	\$ (9,680)	\$ 617	\$ 7,385	\$ (4,623)	\$ 13,438	\$ 21,147	\$ 20,170	\$ 10,391	\$ 58,844
2	14,529 to 23,941	10%	2.0%	\$ (10,240)	\$ 52	\$ 9,637	\$ (3,186)	\$ 16,439	\$ 31,422	\$ 23,935	\$ 11,374	\$ 79,433
3	23,942 to 33,681	10%	3.0%	\$ (6,760)	\$ 1,208	\$ 12,038	\$ (2,829)	\$ 19,376	\$ 40,000	\$ 28,092	\$ 15,267	\$ 106,392
4	33,682 to 44,730	10%	4.0%	\$ (8,481)	\$ 1,850	\$ 14,292	\$ (2,016)	\$ 22,018	\$ 48,187	\$ 31,713	\$ 18,778	\$ 126,341
5	44,731 to 57,679	10%	5.2%	\$ (9,948)	\$ 3,378	\$ 16,607	\$ (5,517)	\$ 24,984	\$ 56,981	\$ 35,749	\$ 24,584	\$ 146,819
6	57,680 to 74,178	10%	6.7%	\$ (7,515)	\$ 4,447	\$ 19,836	\$ (9,166)	\$ 29,364	\$ 63,733	\$ 40,831	\$ 30,310	\$ 171,840
7	74,179 to 96,071	10%	8.7%	\$ (8,319)	\$ 7,253	\$ 24,737	\$ (4,881)	\$ 35,938	\$ 81,787	\$ 49,032	\$ 37,173	\$ 222,720
8	96,072 to 127,270	10%	11.4%	\$ (6,221)	\$ 9,927	\$ 31,083	\$ (18,053)	\$ 43,853	\$ 99,375	\$ 58,631	\$ 45,416	\$ 264,010
9	127,271 to 185,600	10%	15.6%	\$ (6,248)	\$ 12,373	\$ 40,747	\$ (1,378)	\$ 54,811	\$ 117,892	\$ 68,906	\$ 52,133	\$ 339,236
10	185,601 & over	10%	42.5%	\$ 159,293	\$ 146,552	\$ 76,438	\$ 3,450	\$ 97,547	\$ 128,093	\$ 96,707	\$ 69,736	\$ 777,816
ALL MINNESOTA HOUSEHOLDS		100%	100.0%	\$ 85,881	\$ 187,656	\$ 252,800	\$ (48,200)	\$ 357,769	\$ 688,618	\$ 453,765	\$ 315,162	\$ 2,293,452

Detail for the 10th Decile

Lower Half	\$185,601 to 262,353	5%	11.2%	\$ (2,252)	\$ 13,942	\$ 26,681	\$ 297	\$ 33,707	\$ 63,793	\$ 39,227	\$ 29,988	\$ 205,383
Next 4%	262,354 to 636,247	4%	15.3%	\$ 970	\$ 39,385	\$ 30,968	\$ 550	\$ 38,818	\$ 51,362	\$ 38,221	\$ 28,526	\$ 228,801
Top 1%	636,248 & over	1%	16.1%	\$ 160,574	\$ 93,226	\$ 18,789	\$ 2,602	\$ 25,022	\$ 12,938	\$ 19,259	\$ 11,222	\$ 343,633
Full Decile	\$185,601 & over	10%	42.5%	\$ 159,293	\$ 146,552	\$ 76,438	\$ 3,450	\$ 97,547	\$ 128,093	\$ 96,707	\$ 69,736	\$ 777,816

Suits Indexes of Proposed Changes

Table 4 provides detail of the overall impact of the House's tax proposal by tax type, in the same manner as shown on Table 3-1 in the *Tax Incidence Study for all current-law taxes*. (See page 44 of that report.)

Income and Estate Taxes

Changes to income and estate taxes overall make the tax system more progressive with a combined Suits Index of +0.467. Total tax increases on Minnesota households are estimated to be \$526 million.

- Reductions in personal income taxes are highly progressive, with most of the benefit concentrated at lower deciles and tax increases in the top decile. This combination of tax cuts at lower incomes and tax increases on the highest incomes produces an unusually high Suits Index of +2.770 for these changes.
- Individual income tax increases for flow-through entities are highly progressive, with most of the increase concentrated in the highest decile. The Suits Index for these changes is +0.485.
- The corporate franchise tax increases are moderately regressive with a Suits Index of -0.187.

State Sales and Excise Taxes

Changes to state sales and excise taxes overall make the tax system more regressive with a combined Suits Index of -0.320. Total tax increases on Minnesota households are estimated to be \$1.231 billion. The largest increases in state sales and excise taxes are in motor fuels excise taxes and MinnesotaCare taxes.

State Property Taxes

Changes to state property taxes overall make the tax system more regressive with a combined Suits Index of -0.267. Total taxes on Minnesota households are estimated to increase \$348.2 million. The largest increases in state property taxes are in motor vehicle registration taxes.

Local Taxes

Changes to local taxes make the tax system more regressive with a combined Suits Index of -0.222. Total tax increases on Minnesota households are estimated to be \$236.1 million. The increase comes from a new metro-wide local sales tax. Local property taxes are estimated to decrease overall.

Table 4. Impact of House 2019 Tax Proposals on State and Local Tax Collections and Tax Burdens
Calendar Year 2021
All dollars in millions

All dollar values rounded to nearest tenth of a million dollars. All values that are truly zero are shown as blanks.

Tax Type	Change in Collections	As Imposed			After Shifting		Suits Index for Tax Change*
		MN Households	Non-Residents	Business	MN Households	Exported	
State Taxes							
Taxes on Income and Estates							
Individual income tax--Personal	114.6	73.2	41.4		73.2	41.4	+2.770
Individual income tax--Flow-through	213.1	187.7	25.4		187.7	25.4	+0.485
Corporate franchise tax	346.8			346.8	252.8	93.9	-0.187
Estate tax	13.5	12.7	0.7		12.7	0.7	-0.052
Total Income and Estate Taxes	687.9	273.5	67.6	346.8	526.3	161.6	+0.467
Taxes on Consumption							
State sales taxes							
General sales tax	25.8	-1.8		27.6	23.7	2.1	-0.184
Sales tax on motor vehicles	53.7	33.8		19.9	52.7	1.0	-0.219
Motor fuels excise tax	525.0	318.2	33.4	173.5	453.8	71.2	-0.316
Alcoholic beverage excise taxes	0.1	0.1	0.0		0.1	0.0	-0.201
Cigarette and tobacco excise taxes	12.5	12.1	0.4		12.1	0.4	-0.584
Insurance premiums taxes							
Gambling taxes							
MinnesotaCare taxes	751.8	688.6	63.1		688.6	63.1	-0.331
Solid waste management taxes							
Total Consumption Taxes	1,368.9	1,050.9	96.9	221.0	1,230.9	137.9	-0.319
Taxes on Property							
Residential recreational property	-0.0	-0.0	-0.0		-0.0	-0.0	+0.137
Commercial	36.6			36.6	20.4	16.2	-0.140
Industrial	12.4			12.4	6.8	5.6	-0.065
Utility	7.7			7.7	5.9	1.8	-0.211
Motor vehicle registration tax	322.7	266.7		56.0	315.2	7.5	-0.281
Mortgage and deed taxes							
Total Property Taxes	379.3	266.7	-0.0	112.7	348.2	31.1	-0.267
Property Tax Refunds							
Homeowners	-25.2	-25.2			-25.2		+0.386
Renters	-22.9	-22.9			-22.9		+0.790
Total Property Tax Refunds	-48.1	-48.1			-48.1		+0.578
Total State Taxes	2,388.0	1,543.0	164.5	680.4	2,057.4	330.6	-0.103
Local Taxes							
Property Taxes							
General Property Tax	-41.3	0.5	-0.1	-41.7	-33.1	-8.2	+0.276
Homeowners (before PTR)	0.7	0.7			0.7		-0.169
Residential rec & 2nd homes	-0.3	-0.2	-0.1		-0.2	-0.1	+0.104
Commercial	-1.7			-1.7	-0.9	-0.7	+0.140
Industrial	-0.3			-0.3	-0.2	-0.1	+0.065
Farm (other than residence)	-39.1			-39.1	-32.0	-7.1	+0.282
Rental Housing	-0.3			-0.3	-0.2	-0.1	+0.132
Utility	-0.4			-0.4	-0.3	-0.1	+0.211
Mining Production Taxes (taconite)							
Taxes on Consumption							
Local Sales Taxes	308.8	151.7	16.9	129.7	269.2	37.1	-0.225
Local Gross Earnings Taxes							
Total Local Taxes	267.5	152.2	16.8	88.0	236.1	28.9	-0.218
Total State and Local Taxes	2,655.5	1,695.2	181.3	768.4	2,293.5	359.5	-0.116

Parts may not sum to totals due to rounding.

* Suits indexes for a *reduction* in regressive taxes (such as the sales tax) are shown as positive because the tax *cut* makes the system less regressive.

Appendix I: Technical Notes

A. Assumptions about Changes in Local Property Taxes

- Local government levies will change in response to changes in state aids and credits. Standard assumptions are used by the Property Tax Division to estimate the magnitude of those changes.

B. Estimating the Incidence of Changes in Business Taxes (“Incremental Incidence”)

- As explained on pages 70-71 of the 2019 *Tax Incidence Study*, the incidence of a change in the level of business taxes (“incremental incidence”) will differ from the incidence of existing business taxes (“average incidence”). Average incidence divides an existing business tax into three parts – the national average tax on all capital, the sector differential, and the Minnesota differential. In contrast, a change in the level of a business tax is all treated as a change in the Minnesota differential.
- If the level of Minnesota business taxes changes, this will generally change the amount of *federal tax* paid by the business – either the federal corporate income tax or the federal individual income tax for flow-through businesses. For a corporation paying federal tax at the 21% rate, each additional \$1,000 in Minnesota tax will reduce the federal tax burden by \$210. So \$210 of the \$1,000 of Minnesota tax burden is borne by the federal government in foregone tax revenue. The burden of the remaining \$790 in tax may be shifted to consumers in higher prices or to workers in lower compensation – or it may reduce the after-tax income of the business owner. This analysis assumes federal tax rates of 21% for corporate tax and 18% for individual income tax.
- The extent to which the tax burden will be shifted to consumers or workers will depend on the nature of the market. Minnesota tax changes are most likely to result in price changes if the market is local and close competitors face the same change in tax. Businesses selling in national or international markets are much less likely to shift the added cost to consumers by raising prices (or reduce their price in response to a tax cut). *As in the incidence study, the incidence results assume the market has had time to fully adjust to any tax changes.*
- The incidence of the **business tax** changes in the bill (as modeled here) is as follows:
 - Corporate tax increases: 45% shifted to Minnesota consumers, 27% shifted to Minnesota workers, less than 1% borne by Minnesota owners, and 27% borne by nonresidents and the federal government.
 - Business property tax changes: Because the business property tax changes include a mix of tax increases and decreases, the impact can best be understood by looking at the incidence by sector, as shown in the following table.

	Total Tax Change	MN Consumers	MN Workers	MN Owners	Exported
Residential	\$ (300,000)	59%	0%	20%	21%
Commercial	\$ 35,000,000	38%	7%	10%	44%
Industrial	\$ 12,100,000	7%	42%	5%	45%
Public Utility	\$ 7,300,000	56%	19%	1%	24%
Farm	\$ (39,100,000)	0%	2%	80%	18%

- Individual income tax increases on flow-through income: The burden is assumed to fall on the recipient of the income, as modeled using the House Income Tax Simulation (HITS) Model.
- Transportation-related taxes (Motor fuels tax, motor vehicle registration tax, metropolitan area sales tax, motor vehicle sales tax): 54% of the burden to Minnesota consumers, 22% to Minnesota workers, 4% to Minnesota owners, and 20% to nonresidents and the federal government. State sales tax increase: 59% of the benefits to Minnesota consumers, 33% to Minnesota workers, less than 1% to Minnesota owners, and 8% to nonresidents and the federal government.

Appendix II: Tax Bill and Transportation Bill impacts

**Table 4a. Impact of House 2019 Tax Bill on State and Local Tax Collections and Tax Burdens
Calendar Year 2021**

All dollars in millions

All dollar values rounded to nearest tenth of a million dollars. All values that are truly zero are shown as blanks.

Tax Type	Change in Collections	As Imposed			After Shifting		Suits Index for Tax Change*
		MN Households	Non-Residents	Business	MN Households	Exported	
State Taxes							
Taxes on Income and Estates							
Individual income tax--Personal	120.2	78.7	41.5		78.7	41.5	+2.580
Individual income tax--Flow-through	213.1	187.7	25.4		187.7	25.4	+0.485
Corporate franchise tax	346.8			346.8	252.8	93.9	-0.187
Estate tax	13.5	12.7	0.7		12.7	0.7	-0.052
Total Income and Estate Taxes	693.5	279.1	67.7	346.8	531.9	161.6	+0.463
Taxes on Consumption							
State sales taxes							
General sales tax	25.8	-1.8		27.6	23.7	2.1	-0.184
Sales tax on motor vehicles							
Motor fuels excise tax							
Alcoholic beverage excise taxes	0.1	0.1	0.0		0.1	0.0	-0.201
Cigarette and tobacco excise taxes	12.5	12.1	0.4		12.1	0.4	-0.584
Insurance premiums taxes							
Gambling taxes							
MinnesotaCare taxes							
Solid waste management taxes							
Total Consumption Taxes	38.4	10.4	0.4	27.6	35.9	2.5	-0.319
Taxes on Property							
Residential recreational property	-0.0	-0.0	-0.0		-0.0	-0.0	+0.137
Commercial	36.6			36.6	20.4	16.2	-0.140
Industrial	12.4			12.4	6.8	5.6	-0.065
Utility	7.7			7.7	5.9	1.8	-0.211
Motor vehicle registration tax							
Mortgage and deed taxes							
Total Property Taxes	56.7	-0.0	-0.0	56.7	33.1	23.6	-0.137
Property Tax Refunds							
Homeowners	-25.2	-25.2			-25.2		+0.386
Renters	-22.9	-22.9			-22.9		+0.790
Total Property Tax Refunds	-48.1	-48.1			-48.1		+0.578
Total State Taxes	740.4	241.3	68.0	431.1	552.7	187.7	+0.467
Local Taxes							
Property Taxes							
General Property Tax	-41.3	0.5	-0.1	-41.7	-33.1	-8.2	+0.276
Homeowners (before PTR)	0.7	0.7			0.7		-0.169
Residential rec & 2nd homes	-0.3	-0.2	-0.1		-0.2	-0.1	+0.104
Commercial	-1.7			-1.7	-0.9	-0.7	+0.140
Industrial	-0.3			-0.3	-0.2	-0.1	+0.065
Farm (other than residence)	-39.1			-39.1	-32.0	-7.1	+0.282
Rental Housing	-0.3			-0.3	-0.2	-0.1	+0.132
Utility	-0.4			-0.4	-0.3	-0.1	+0.211
Mining Production Taxes (taconite)							
Taxes on Consumption							
Local Sales Taxes including motor vehicle excise taxes	20.8	10.2	1.2	9.3	18.2	2.5	-0.194
Local Gross Earnings Taxes							
Total Local Taxes	-20.5	10.7	1.2	-32.4	-14.9	-5.6	+0.377
Total State and Local Taxes	719.9	252.0	69.2	398.7	537.8	182.1	+0.490

Parts may not sum to totals due to rounding.

* Suits indexes for a reduction in regressive taxes (such as the reduced property tax on farms) are shown as positive because the tax cut makes the system less regressive.

Table 4b. Impact of House 2019 Transportation Bill on State and Local Tax Collections and Tax Burdens
Calendar Year 2021

All dollars in millions

All dollar values rounded to nearest tenth of a million dollars. All values that are truly zero are shown as blanks.

Tax Type	Change in Collections	As Imposed			After Shifting		Suits Index for Tax Change *
		MN Households	Non-Residents	Business	MN Households	Exported	
State Taxes							
Taxes on Income and Estates							
Individual income tax--Personal	-5.6	-5.5	-0.1		-5.5	-0.1	-0.076
Individual income tax--Flow-through							
Corporate franchise tax							
Estate tax							
Total Income and Estate Taxes	-5.6	-5.5	-0.1		-5.5	-0.1	-0.076
Taxes on Consumption							
State sales taxes							
General sales tax							
Sales tax on motor vehicles	53.7	33.8		19.9	52.7	1.0	-0.219
Motor fuels excise tax	525.0	318.2	33.4	173.5	453.8	71.2	-0.316
Alcoholic beverage excise taxes							
Cigarette and tobacco excise taxes							
Insurance premiums taxes							
Gambling taxes							
MinnesotaCare taxes							
Solid waste management taxes							
Total Consumption Taxes	578.7	351.9	33.4	193.4	506.4	72.3	-0.306
Taxes on Property							
Residential recreational property							
Commercial							
Industrial							
Utility							
Motor vehicle registration tax	322.7	266.7		56.0	315.2	7.5	-0.281
Mortgage and deed taxes							
Total Property Taxes	322.7	266.7		56.0	315.2	7.5	-0.281
Property Tax Refunds							
Homeowners							
Renters							
Total Property Tax Refunds							
Total State Taxes	895.8	613.1	33.3	249.4	816.0	79.7	-0.299
Local Taxes							
Property Taxes							
General Property Tax							
Homeowners (before PTR)							
Residential rec & 2nd homes							
Commercial							
Industrial							
Farm (other than residence)							
Rental Housing							
Utility							
Mining Production Taxes (taconite)							
Taxes on Consumption							
Local Sales Taxes	288.1	141.5	16.9	129.7	251.0	37.1	-0.227
Local Gross Earnings Taxes							
Total Local Taxes	288.1	141.5	16.9	129.7	251.0	37.1	-0.227
Total State and Local Taxes	1,183.8	754.6	50.2	379.0	1,067.0	116.8	-0.280

Parts may not sum to totals due to rounding.

* Suits indexes for a reduction in regressive taxes (such as the sales tax) are shown as positive because the tax cut makes the system less regressive.