

**Supplement to the
2020 Minnesota Tax Handbook**

This supplement to the 2020 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in 2021. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2022, and state tax collections for fiscal year 2021.

The Minnesota Tax Handbook can be found on the Department of Revenue web site at:

<https://www.revenue.state.mn.us/minnesota-tax-handbooks>

Minnesota Department of Revenue
Tax Research Division
February 2022

History of Major Changes

STATE TAXES

Individual Income Tax • Page 9

- 2021 – Certain federal provisions adopted, including an exclusion for Paycheck Protection Program loans and a temporary exclusion for unemployment benefits.
- Volunteer driver subtraction enacted.
 - Working family credit expanded to include 19- and 20-year-old taxpayers without children.
 - Angel investment credit extended for tax year 2022, with a maximum of \$5 million.
 - Historic structure rehabilitation credit extended for one year.
 - Film production credit enacted.
 - Minnesota housing credit enacted.
 - Pass-through entity tax enacted.

Corporate Franchise Tax • Page 15

- 2021 – Certain federal provisions adopted, including an exclusion for Paycheck Protection Program loans.
- Historic structure rehabilitation credit extended for one year.
- Film production credit enacted.
- Minnesota housing credit enacted.

General Sales and Use Tax • Page 22

- 2021 – Repealed June accelerated payment (June 2022).
- Exemption enacted for construction materials for local government public safety facilities.

Insurance Premium Taxes • Page 41

- 2021 – Historic structure rehabilitation credit extended for one year.
- Film production credit enacted.
- Minnesota housing credit enacted.

State General Property Tax • Page 49

- 2021 – Exemption increased to \$150,000 for commercial, industrial, and utility property.
- Levy reduced for commercial-industrial property.

LOCAL TAXES**General Property Tax • Page 65**

- 2021 – Tier limit reduced for class 4d low-income rental housing and frozen for assessment years 2022-2023.

Minnesota State Tax Collections Fiscal Year 2021
All Funds—Net After Refunds

	<u>FY 2021 Collections</u>	
		% of Total
Individual Income Tax	\$14,103,660,000	47.45%
Corporate Franchise Tax	2,387,370,000	8.03%
Estate Tax	208,231,000	0.70%
General Sales & Use Tax	6,525,150,000	21.95%
Liquor Gross Receipts Tax	91,204,000	0.31%
Motor Vehicle Rental Tax	15,735,000	0.05%
Motor Vehicle Rental Fee	1,351,000	*
Motor Vehicle Sales Tax	981,738,000	3.30%
Motor Fuel Excise Taxes	849,215,000	2.86%
Alcoholic Beverage Taxes	102,125,000	0.34%
Cigarette Taxes	500,597,000	1.68%
Tobacco Products Taxes	131,555,000	0.44%
Mortgage Registry Tax	246,027,000	0.83%
Deed Transfer Tax	164,082,000	0.55%
Lawful Gambling Taxes	118,723,000	0.40%
Pari-Mutuel Tax	2,463,000	0.01%
Insurance Premiums Taxes	565,872,000	1.90%
Health Care Surcharges	318,323,000	1.07%
MinnesotaCare Taxes	635,368,000	2.14%
Mining Occupation Taxes	7,445,000	0.03%
State Property Tax	803,134,000	2.70%
Contamination Tax	268,000	*
Motor Vehicle Registration Tax	853,657,000	2.87%
Air-Flight Property Tax	7,008,000	0.02%
Aircraft Registration Tax	3,866,000	0.01%
Rural Electric Co-Ops	54,000	*
Solid Waste Management Taxes	93,995,000	0.32%
Metropolitan Landfill Fee	4,215,000	0.01%
Total	29,722,431,000	100.00%

* Less than 0.005%

Rates of Major State Taxes as of January 1, 2022

Individual Income Tax:

Tax Year 2022 Rates and Taxable Income Brackets*

	5.35% Up To	6.8%	7.85%	9.85% Over
MJ	\$41,050	\$41,051–\$163,060	\$163,061–\$284,810	\$284,810
MS	20,525	20,526–81,530	81,531–142,405	142,405
HH	34,570	34,571–138,890	138,891–227,600	227,600
S	28,080	28,081–92,230	92,231–171,220	171,220

Corporate Franchise Tax: 9.8%

General Sales and Use Tax: 6.875%

Liquor Gross Receipts Tax: 2.5%

Motor Vehicle Rental Tax: 9.2%

Motor Vehicle Rental Fee: 5.0%

Motor Vehicle Sales Tax: 6.5%

Highway Fuels Excise Taxes: 28.5¢ per gallon

Alcoholic Beverage Taxes

Distilled spirits: \$5.03 per gallon

Beer: more than 3.2% alcohol 4.60 per barrel

3.2% or less: 2.40 per barrel

Wine: 0.30–3.52 per gallon

Cigarette Tax: 3.04 per pack of 20 cigarettes

Tobacco Products Tax: 95% of wholesale price

Mortgage Registry Tax: 0.23% of principal debt

Deed Transfer Tax: 0.33% of consideration

MinnesotaCare Taxes: 1.8% of gross revenues for health care providers, hospitals, surgical centers, and wholesale drug distributors.

Motor Vehicle Registration Tax: \$10 plus 1.285% of base value based on age for passenger cars, pickup trucks, and vans. Trucks, tractors, and buses based on type, weight, and age of the vehicle.

State General Property Tax: For taxes payable in 2020, 38.846% of the net tax capacity for commercial and industrial property; 17.997% for seasonal recreational property.

**Class Rates for Major Classes of Property
Payable 2022**

<u>Class and Type of Property</u>	<u>Net Class Rate</u>
1a Residential homestead	
First \$500,000 market value (MV)	1.0%
Over \$500,000 MV	1.25%
1b Homestead of blind or disabled	
First \$50,000 MV	0.45%
Excess is Class 1a or 2a	
1c Homestead resorts	
First \$600,000 MV	0.5%
Next \$1,700,000 MV	1.0%
Over \$2,300,000 MV	1.25% ^b
1d Seasonal farm worker housing—same as Class 1a	
2a Agricultural homestead	
House, garage, and one acre—same as Class 1a	
Remaining land and buildings	
First \$1,890,000 MV	0.5% ^a
Over \$1,890,000 MV	1.0% ^a
Non-homestead agricultural land	1.0% ^a
2b Rural vacant land	1.0%
2c Managed forest land	0.65% ^a
2d Private airport	1.0% ^a
2e Unmined commercial aggregate deposit land	1.0% ^a
3a Commercial and industrial, utility real property	
First \$100,000 MV	1.5%
Next \$50,000 MV	1.5% ^b
Over \$150,000 MV	2.0% ^b
Public utility machinery	2.0% ^b
4a Apartments, 4 or more units; private hospitals	1.25%
4b Residential or farm non-homestead, 2-3 units; manufactured homes	1.25%
4bb Residential or farm non-homestead, 1 unit—same as Class 1a	
4c Commercial seasonal recreational residential—same as Class 1a ^b	
Nonprofit community service organization	1.5% ^b
Post-secondary student housing	1.0% ^a
Manufactured home parks	1.25%
Noncommercial seasonal recreational residential—same as Class 1a ^{a, b}	
Qualifying golf courses	1.25%
Congressionally-chartered veterans organization	1.0% ^b
4d Low-income rental housing	
First \$174,000 MV	0.75%
Over \$174,000 MV	0.25%
5 Unmined iron ore and low-grade iron ore	2.0% ^b
All other property	2.0%

^aExempt from school district referendum levies.

^bSubject to state general property tax, except for electric generating public utility machinery and certain nonprofit community service organizations.