

April 7, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3478 (McDonald) / S.F. 3292 (Benson)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
General Fund	\$0	(\$3,046,300)	(\$2,098,000)	(\$2,201,900)

Effective beginning tax year 2022.

EXPLANATION OF THE BILL

Current Law: The income tax rates and brackets for tax year 2022 are shown in the following table:

Income Tax Brackets: Tax Year 2022

	5.35% Up To	6.80%	7.85%	9.85% Over
Married Joint	\$41,050	\$41,050 to \$163,060	\$163,060 to \$284,810	\$284,810
Married Separate	\$20,525	\$20,525 to \$81,530	\$81,530 to \$142,405	\$142,405
Single	\$28,080	\$28,080 to \$92,230	\$92,230 to \$171,220	\$171,220
Head of Household	\$34,570	\$34,570 to \$138,890	\$138,890 to \$227,600	\$227,600

Proposed Law: The proposal lowers each tax rate by one percentage point. The proposed rates would be 4.35%, 5.8%, 6.85%, and 8.85%. The income tax brackets are unchanged but are restated as tax year 2022 amounts. Beginning in tax year 2022, the thresholds would be adjusted for inflation in the same manner as existing brackets. The tax year impact is as follows:

**Tax Year Impact
(\$000s)**

TY 2022	(\$2,020,600)
TY 2023	(\$2,091,900)
TY 2024	(\$2,158,100)
TY 2025	(\$2,238,800)

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 7.1) 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 February 2022. The model uses a stratified sample of 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- All of tax year 2022 impact was allocated to fiscal year 2023. Other tax years were allocated to fiscal years using a standard formula.

REVENUE ANALYSIS DETAIL (Cont.)

Number of Taxpayers: About 2,400,900 tax returns would be affected in tax year 2022. The average decrease in tax would be \$842.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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hf3478(sf3292)_2 Income Tax Rates Decreased / sat