

## Tax Incidence Analysis

Prepared by the Tax Research Division, Minnesota Department of Revenue

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### 2023 Tax Law Changes

#### Omnibus Tax Bill (Chapter 64)

#### Transportation Finance and Policy Bill (Chapter 68)

#### Housing Finance and Policy Bill (Chapter 37)

#### Judiciary and Public Safety Bill (Chapter 52)

#### Cannabis Finance and Policy Bill (Chapter 63)

**Note:** This analysis is limited to permanent changes in tax law and tax expenditures extended for at least eight years.

#### The Omnibus Tax Bill made the following tax law changes:

- **Income Tax -- Personal**
  - Create a 2<sup>nd</sup> tier phase-out rate for the standard deduction and itemized deductions; limit deductions to 20% for taxpayers with adjusted gross income of at least \$1 million.
  - Increase the maximum K-12 education credit and phase-out threshold; phase out based on adjusted gross income.
  - Increase the Social Security subtraction.
  - Create a public pension subtraction.
  - Create a 1% tax on net investment income over \$1 million.
  - Increase the maximum political contribution refund to \$75 (\$150 married joint).
  - Create a Minnesota child credit and modify the working family credit. The two credits are phased out jointly.
  - Allow the newborn credit for all taxpayers regardless of filing status.
  - Adopt federal law changes in the Secure 2.0 Act, mostly related to retirement and pension income.
  - Replace the renter's property tax refund with a renter's credit on the individual income tax form.
- **Sales Tax:**
  - Expand the sales tax exemption for county agricultural societies to include presales.
  - Expand the sales tax exemption for suite licenses to include sales that are part of a bundled transaction and allow an exemption for certain amenities included in the price of admission for sports events.
  - Create a sales tax exemption for firearm storage units.
  - Create a sales tax exemption for sales between a disregarded LLC and its owner.
  - Create a sales tax exemption for sales to federally registered nonprofit blood centers and for the lease of automobiles used by the blood center.
- **Gambling Taxes:**
  - Lower all combined net receipts tax rates.

- **Property Taxes:**
  - Increase levy authority for watershed districts.
  - Decrease class rate and add restrictions for low-income rental housing.
  - Increase first tier classification limit for agricultural land.
  - Allow individual taxpayer identification number (ITIN) for homestead.
  - Expand eligibility for the market value exclusion for veterans with a disability.
  - Increase homestead market value exclusion.
  - Create new aid for retired electric generating units.
  - Increase property tax refunds for homeowners.
  - Increase aids to cities and counties.
  - Increase payments for payment in lieu of taxes (PILT) program.
  - Add Tribal governments to Local Homeless Prevention Aid.
  - Create new aids for housing.
  - Create new aid for Tribal Nations.
  
- **Taxes on Business (Corporate and Non-corporate):**
  - Expand the beginning farmer credit to include relative sales and extend the sunset.
  - Increase the maximum film production credit to \$24.95 million and extend the sunset.
  - Create a credit for the sale of a manufactured home park to a cooperative.
  - Create a credit for short line railroad track maintenance.
  - Repeal the subtraction for global intangible income.
  - Extend the historic rehabilitation credit.
  - Reduce the limit on net operating losses from 80% to 70% of income.
  - Reduce the dividend received deduction rates from 80% and 70% to 50% and 40%.

The following bills also included tax law changes:

#### **Transportation Finance Bill**

- **Motor Vehicle Registration Tax**
  - Increase the motor vehicle registration tax rate to 1.54%, reduce the minimum fee to \$20, and modify depreciation schedule.
- **Motor Vehicle Sales Tax**
  - Increase the motor vehicle sales tax rate to 6.875%.
  - Exempt disabled veterans from motor vehicle sales tax and motor vehicle registration tax.
- **Other Changes**
  - Create a retail delivery fee of \$0.50 per transaction of at least \$100, dedicated for transportation purposes.
  - Create a metropolitan area sales tax of 0.75% dedicated to metropolitan area transit uses.
  - Annual indexing of motor fuels tax.
  - Exempt certain nonprofits from motor vehicle rental tax.

#### **Housing Finance and Policy Bill**

- **Local Sales Tax**
  - Create a metropolitan area sales tax of 0.25% dedicated to metropolitan housing uses.

#### **Judiciary and Public Safety Finance bill**

- **Insurance Gross Premiums Tax**
  - Increase the fire safety surcharge from 0.5% to 0.65%.

## **Cannabis Finance and Policy Bill**

- **Gross Receipts Tax**
  - Impose a gross receipts tax of 10% on the sale of cannabis, cannabis products, and accessories.
- **Sales and Use Tax**
  - Sales of cannabis are subject to state and local sales tax.

These tax law changes will modify the burden of state and local taxes compared to what it would be under prior law. The impact of the bills can be estimated using the database and underlying models developed for the *Minnesota Tax Incidence Study*. **Because the latest database projects income and taxes to calendar year 2024, this analysis generally estimates the impact of law changes in that calendar year.**

The analysis is limited to **permanent** changes in tax law. Since tax expenditures may not be extended more than eight years at a time (M.S. 3.192(c)), tax expenditures that are extended for eight years are also included. **Law changes that are phased in over several years or have a delayed effective date are modeled as if fully effective in 2024.** The indexing of the motor fuels tax was modeled using the first full year of the inflation adjustment.

### ***Law Changes Not Included in this Analysis***

- **Temporary provisions** including the one-time refundable credit, extension of the Angel Investment Credit, several temporary sales tax exemptions for construction projects, and some federal update provisions. Also excluded are a temporary electric-assisted bicycle rebate and sustainable aviation fuel credit in the Transportation bill and a temporary workforce grant subtraction in the Human Services bill.
- **Timing changes** to the military service credit.
- **Small or unknown changes** including the sexual harassment payment subtraction, the discharged student loan subtraction, and changes to the pass-through entity tax.
- **Paid family leave premiums** in Chapter 59 are not included, since they are considered insurance premiums rather than a tax.

## ***Impact on Minnesota State & Local Tax Burdens of Minnesota Residents***

### **Omnibus Tax Bill**

The mix of tax cuts and tax increases in the Omnibus Tax Bill reduces the net tax burden on Minnesota residents by **\$484.4 million**.

- **Income Tax Changes (nonbusiness):** Changes in income tax provisions will reduce total tax revenue by \$887.0 million, reducing the tax burden on Minnesota residents by **\$890.3 million**.<sup>1</sup> The new child and working family credit has the largest impact, reducing revenue by \$398.7 million, with **\$392.5 million** borne by Minnesota residents. The net investment tax and changes to the standard/itemized deduction phase-out will increase total tax revenue by \$209.7 million, with **\$194.2 million** borne by Minnesota residents.
- **Income Tax Changes on Non-Corporate Businesses:** (sole proprietors, S-corps, and partnerships) Changes to income taxes will reduce taxes on non-corporate business income by \$9.8 million, with **\$10.0 million** borne by Minnesota residents. Changes to existing credits and new credits reduce taxes by \$15.8 million, with **\$15.6 million** borne by Minnesota residents. Repealing the GILTI subtraction and conforming to changes in the Secure Act 2.0 generate an additional \$6.1 million in revenue, with **\$5.6 million** borne by Minnesota residents.
- **Corporate Tax Changes:** Corporate franchise tax revenue will increase by \$278.2 million. After full adjustment, some of the burden will be borne by consumers in the form of higher prices, some in lower wages, and some in lower returns to business owners. Tax burdens for Minnesota residents will increase by an estimated **\$201.6 million** (about 72.5% of added revenue). The remainder will 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. All provisions will increase revenue except for the historic structure rehabilitation credit, which reduces revenue by \$2.3 million, with **\$1.7 million** borne by Minnesota residents.
- **Property Tax Changes:** Local property taxes on business property, utilities, second homes, and seasonal recreational property will increase by \$20.0 million. The impact on Minnesota residents is estimated to be **\$12.2 million**. Homeowner, renter and farm and timber property tax changes will decrease revenue by \$104.7 million. The impact on Minnesota residents is a decrease to their tax burden by **\$101.2 million**. Homeowner property tax refunds will increase, reducing the resident tax burden by **\$19.8 million**. The renter property tax refund is repealed and is replaced by an income tax credit, for a net decrease in tax of **\$136.3 million**.
- **State and Local Sales Tax Changes:** Changes to statewide sales taxes will decrease revenue by \$3.2 million, lowering the tax burden on Minnesota residents by **\$2.8 million**. Local sales taxes will increase by \$118.9 million, with **\$98.1 million** being borne by Minnesota residents.

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<sup>1</sup> The reduced tax burden on residents is greater than the total reduction in tax burden because of the mix of tax increases and decreases in the bill that is borne by residents. For instance, 98.2% of the change in the working family credit is borne by residents, while 92.3% of the change to the standard/itemized deduction phase-out will be borne by residents. The remainder is exported to nonresidents. The combined result of the income tax provisions is a net tax increase for nonresidents.

- **Gambling Tax Changes:** Changes to the combined net receipts tax will decrease revenue by \$14.6 million, lowering the tax burden on Minnesota residents by **\$14.6 million**.

## Transportation Finance and Policy Bill

- **Sales and Excise Taxes:** The increased metropolitan area local sales tax will increase collections by \$461.9 million, with **\$405.6 million** borne by Minnesota residents. Increases to the motor fuels excise tax will increase collections by \$104.4 million, with **\$93.3 million** borne by Minnesota residents. The increase in the motor vehicle sales tax rate will increase collections by \$51.1 million, with **\$48.0 million** borne by Minnesota residents. This estimate is based on the first full year of inflation adjustment, which will occur in calendar year 2025. The creation of a retail delivery fee will increase collections by \$80 million, with **\$75.5 million** borne by Minnesota residents.
- **Motor Vehicle Registration Tax:** Changes to the motor vehicle registration tax will increase revenue by \$117.2 million. The net impact on Minnesota residents is estimated to be **\$112.4 million**.
- **Income Taxes:** The changes to the motor vehicle registration tax will increase income tax deductions, reducing Minnesota resident income taxes by **\$0.5 million**.

## Housing Finance and Policy Bill

- **Local Sales Tax:** The creation of a metropolitan sales tax will increase revenue by \$154.0 million, increasing the burden borne by Minnesota residents by **\$135.2 million**.

## Judiciary and Public Safety Bill

- **Fire Safety Surcharge:** A change to the fire safety surcharge rate will increase revenue by \$5.1 million, increasing the burden borne by Minnesota residents by **\$4.9 million**.

## Cannabis Finance and Policy Bill

- **Gross Receipts Tax:** The creation of a gross receipts tax on cannabis products will generate an additional \$26.7 million, with **\$24.0 million** borne by Minnesota residents.
- **Sales Tax:** The sale of cannabis products will also be subject to the general sales tax at both state and local levels. The state sales tax on cannabis will increase revenue by \$12.1 million with **\$10.8 million** borne by Minnesota residents, while the local sales tax on cannabis will increase revenue by \$1.3 million with **\$1.17 million** borne by Minnesota residents.

## Combined Impact of All Bills

- In total, the tax changes in all bills will increase tax collections by \$634.5 million in 2024, of which **\$426.5 million** is borne by Minnesota residents. For comparison, the tax bill alone will decrease collections by \$484.4 million.
- The largest tax increases are the local sales taxes enacted in the Transportation and the Housing bills.
- Other tax increases include changes to the motor fuels tax, motor vehicle registration tax, and motor vehicle sales tax in the Transportation bill.
- Taxes on cannabis also contribute to the net tax increase.

The following sections show the impact of the tax bill alone and then the combined impact of the tax law changes in all enacted bills.

## Analysis of the Tax Bill

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

The following tables show the impact of the provisions in the tax bill only.

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

- The average decrease in total taxes paid is -1.27%. The decreases are greatest in the first three deciles, declining as income rises. The top two deciles have a net increase in tax.
- Residents in the 9<sup>th</sup> and 10<sup>th</sup> deciles will pay about \$261.0 million more in tax. Residents in the other eight deciles will pay about \$745.4 million less in tax.

**Table 1a.**  
**Dollars of Minnesota State and Local Tax Burden**  
**Impact of Changes in the Tax Bill Only**  
 Estimated Calendar Year 2024 Impact

2024 Population Decile	Income Range	Percent of All Households	Percent of All Income	Minnesota State and Local Tax Burden				
				Current Law Tax Burden (\$1000s)	New Tax Burden (\$1000s)	Change in Tax Burden (\$1000s)	Decile's Share of Total Change in Tax	Percent Increase in Burden Over Prior Law
1	16,552 & under	10%	0.9%	\$ 931,854	\$ 822,261	\$ (109,593)	22.6%	-11.76%
2	16,553 to 27,877	10%	1.9%	\$ 896,456	\$ 765,347	\$ (131,109)	27.1%	-14.63%
3	27,878 to 39,910	10%	2.9%	\$ 1,128,702	\$ 1,002,247	\$ (126,456)	26.1%	-11.20%
4	39,911 to 52,158	10%	4.0%	\$ 1,548,886	\$ 1,465,050	\$ (83,836)	17.3%	-5.41%
5	52,159 to 66,770	10%	5.1%	\$ 2,052,022	\$ 1,979,158	\$ (72,864)	15.0%	-3.55%
6	66,771 to 85,609	10%	6.5%	\$ 2,618,051	\$ 2,551,351	\$ (66,700)	13.8%	-2.55%
7	85,610 to 111,624	10%	8.4%	\$ 3,395,185	\$ 3,314,548	\$ (80,637)	16.6%	-2.38%
8	111,625 to 148,734	10%	11.1%	\$ 4,474,915	\$ 4,400,699	\$ (74,217)	15.3%	-1.66%
9	148,735 to 223,388	10%	15.5%	\$ 5,877,532	\$ 5,888,666	\$ 11,134	-2.3%	0.19%
10	223,389 & over	10%	43.7%	\$ 15,231,919	\$ 15,481,815	\$ 249,896	-51.6%	1.64%
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>100.0%</b>	<b>\$ 38,155,523</b>	<b>\$ 37,671,142</b>	<b>\$ (484,381)</b>	<b>100.0%</b>	<b>-1.27%</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	11.3%	\$ 4,105,055	\$ 4,122,838	\$ 17,784	-3.7%	0.43%
Next 4%	318,470 to 804,985	4%	15.8%	\$ 5,625,789	\$ 5,700,704	\$ 74,915	-15.5%	1.33%
Top 1%	804,986 & over	1%	16.6%	\$ 5,501,076	\$ 5,658,273	\$ 157,197	-32.5%	2.86%
Full Decile	223,389 & over	10%	43.7%	\$ 15,231,919	\$ 15,481,815	\$ 249,896	-51.6%	1.64%

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

- Minnesota residents' state and local tax burden will decrease by an average of 0.14% of income. The decreased tax burden is largest for the lowest deciles and declines at higher income ranges. The burden for the 9<sup>th</sup> and 10<sup>th</sup> deciles will increase as a percent of income, with the top 1% bearing the greatest increase at 0.28%.

**Table 2a.**  
**Tax burden as Percent of Income**  
**Impact of Tax Changes in the Tax Bill**  
 Estimated Calendar Year 2024 Impact

2024 Population Decile	Income Range	Percent of All Households	Minnesota State and Local Tax Burden as Percent of Income		
			Current Law	New Law	Change
1	16,552 & under	10%	31.70%	27.97%	-3.73%
2	16,553 to 27,877	10%	13.79%	11.77%	-2.02%
3	27,878 to 39,910	10%	11.41%	10.14%	-1.28%
4	39,911 to 52,158	10%	11.53%	10.90%	-0.62%
5	52,159 to 66,770	10%	11.89%	11.47%	-0.42%
6	66,771 to 85,609	10%	11.82%	11.52%	-0.30%
7	85,610 to 111,624	10%	11.87%	11.59%	-0.28%
8	111,625 to 148,734	10%	11.86%	11.66%	-0.20%
9	148,735 to 223,388	10%	11.16%	11.19%	0.02%
10	223,389 & over	10%	10.26%	10.43%	0.17%
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>11.24%</b>	<b>11.09%</b>	<b>-0.14%</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	10.66%	10.70%	0.05%
Next 4%	318,470 to 804,985	4%	10.50%	10.64%	0.14%
Top 1%	804,986 & over	1%	9.76%	10.04%	0.28%
Full Decile	223,389 & over	10%	10.26%	10.43%	0.17%

**Table 3a** on the following page 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. Total income tax burdens will be reduced by \$890.3 million. That total includes the new renter's credit, which will now be part of the income tax return. There is a corresponding reduction in the property tax refund (PTR) due to the repeal of the PTR for renters.
- The **corporate franchise tax** will increase by about \$201.6 million, with about \$92.7 million borne by the top two deciles.
- **Sales and excise taxes** will increase by about \$95.4 million, with \$41.7 million borne by the top two deciles.

**Table 3a.**  
**Tax Changes in the Tax Bill**

Estimated Calendar Year 2024 Impact, by Tax Type  
Dollars in \$1,000s

2024 Population Decile	Income Range	Percent of All Households	Percent of All Income	Change in Tax Burden							
				Income Tax-- Personal	Income Tax-- Flow-Through*	Corporate Tax	Property Tax	PTR	Sales and Excise Taxes	Other Taxes	Total
1	16,552 & under	10%	0.9%	\$ (161,110)	\$ (839)	\$ 5,940	\$ (3,291)	\$ 46,999	\$ 3,357	\$ (649)	\$ (109,593)
2	16,553 to 27,877	10%	1.9%	\$ (194,966)	\$ (76)	\$ 7,968	\$ (2,818)	\$ 55,490	\$ 4,274	\$ (981)	\$ (131,109)
3	27,878 to 39,910	10%	2.9%	\$ (189,198)	\$ (136)	\$ 10,013	\$ (3,973)	\$ 52,809	\$ 5,128	\$ (1,099)	\$ (126,456)
4	39,911 to 52,158	10%	4.0%	\$ (133,680)	\$ (128)	\$ 11,812	\$ (5,255)	\$ 38,970	\$ 5,854	\$ (1,409)	\$ (83,836)
5	52,159 to 66,770	10%	5.1%	\$ (110,012)	\$ (284)	\$ 13,546	\$ (6,955)	\$ 25,984	\$ 6,581	\$ (1,724)	\$ (72,864)
6	66,771 to 85,609	10%	6.5%	\$ (84,761)	\$ (938)	\$ 15,919	\$ (9,024)	\$ 6,339	\$ 7,678	\$ (1,913)	\$ (66,700)
7	85,610 to 111,624	10%	8.4%	\$ (92,817)	\$ (1,421)	\$ 19,535	\$ (10,700)	\$ (2,747)	\$ 9,316	\$ (1,803)	\$ (80,637)
8	111,625 to 148,734	10%	11.1%	\$ (87,201)	\$ (5,862)	\$ 24,154	\$ (13,602)	\$ (1,279)	\$ 11,420	\$ (1,845)	\$ (74,217)
9	148,735 to 223,388	10%	15.5%	\$ (18,401)	\$ (2,909)	\$ 31,985	\$ (12,473)	\$ (51)	\$ 14,510	\$ (1,529)	\$ 11,134
10	223,389 & over	10%	43.7%	\$ 181,856	\$ 2,607	\$ 60,728	\$ (20,883)	\$ -	\$ 27,236	\$ (1,649)	\$ 249,896
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>100.0%</b>	<b>\$ (890,289)</b>	<b>\$ (9,986)</b>	<b>\$ 201,600</b>	<b>\$ (88,973)</b>	<b>\$ 222,514</b>	<b>\$ 95,353</b>	<b>\$ (14,600)</b>	<b>\$ (484,381)</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	11.3%	\$ (4,810)	\$ (335)	\$ 21,470	\$ (7,180)	\$ -	\$ 9,462	\$ (823)	\$ 17,784
Next 4%	318,470 to 804,985	4%	15.8%	\$ 48,600	\$ 343	\$ 24,614	\$ (8,693)	\$ -	\$ 10,711	\$ (661)	\$ 74,915
Top 1%	804,986 & over	1%	16.6%	\$ 138,067	\$ 2,598	\$ 14,643	\$ (5,010)	\$ -	\$ 7,064	\$ (165)	\$ 157,197
Full Decile	223,389 & over	10%	43.7%	\$ 181,856	\$ 2,607	\$ 60,728	\$ (20,883)	\$ -	\$ 27,236	\$ (1,649)	\$ 249,896

\*Includes the impact on business income from sole proprietorships, S corporations, partnerships, and farms.



**Table 4a. Impact of H.F. 1938/S. F.1833 on State and Local Tax Collections and Tax Burdens**

**Calendar Year 2024**

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
		MN Households	Non-Residents	Business	MN Households	Exported	for Tax Change* (Full Sample)
<b>State Taxes</b>							
<b>Taxes on Income and Estates</b>							
Individual income tax--Personal	-887.0	-890.3	3.3		-890.3	3.3	+1.121
Individual income tax--Flow-through	-9.8	-10.0	0.2		-10.0	0.2	+0.717
Corporate franchise tax	278.2			278.2	201.6	76.6	-0.207
Estate tax							
<b>Total Income and Estate Taxes</b>	<b>-618.6</b>	<b>-900.3</b>	<b>3.5</b>	<b>278.2</b>	<b>-698.7</b>	<b>80.1</b>	<b>+1.380</b>
<b>Taxes on Consumption</b>							
<b>Total sales tax</b>							
General sales tax	-3.2	-0.7	-0.1	-2.4	-2.8	-0.4	+0.220
Sales tax on motor vehicles							
Motor fuels excise tax							
Alcoholic beverage excise taxes							
Cigarette and tobacco excise taxes							
Insurance premiums taxes							
Gambling taxes	-14.6	-14.6			-14.6		+0.493
MinnesotaCare taxes							
Cannabis tax							
Solid waste management taxes							
<b>Total Consumption Taxes</b>	<b>-17.8</b>	<b>-15.3</b>	<b>-0.1</b>	<b>-2.4</b>	<b>-17.4</b>	<b>-0.4</b>	<b>+0.450</b>
<b>Taxes on Property</b>							
Residential recreational property							
Commercial							
Industrial							
Utility							
Motor vehicle registration tax							
Mortgage and deed taxes							
<b>Total Property Taxes</b>							
<b>Property Tax Refunds</b>							
Homeowners	-19.8	-19.8			-19.8		+0.724
Renters	242.3	242.3			242.3		-0.901
<b>Total Property Tax Refunds</b>	<b>222.5</b>	<b>222.5</b>			<b>222.5</b>		<b>-0.917</b>
<b>Total State Taxes</b>	<b>-413.8</b>	<b>-693.0</b>	<b>3.4</b>	<b>275.8</b>	<b>-493.5</b>	<b>79.7</b>	<b>+1.555</b>
<b>Local Taxes</b>							
<b>Property Taxes</b>							
General Property Tax	-84.7	-64.9	0.6	-20.5	-89.0	4.3	+0.279
Homeowners (before PTR)	-66.7	-66.7			-66.7	0.0	+0.302
Residential recreational property	2.4	1.8	0.6		1.8	0.6	-0.055
Commercial	10.6			10.6	6.0	4.6	-0.148
Industrial	4.7			4.7	2.7	2.0	-0.080
Farm (other than residence)	-6.5			-6.5	-10.5	4.0	+0.115
Rental Housing	-31.5			-31.5	-24.0	-7.6	+0.211
Utility	2.2			2.2	1.7	0.5	-0.213
Mining Production Taxes (taconite)							
<b>Taxes on Consumption</b>							
Local Sales Taxes	118.9	48.6	13.0	57.3	98.1	20.8	-0.231
<b>Total Local Taxes</b>	<b>34.2</b>	<b>-16.3</b>	<b>13.6</b>	<b>36.8</b>	<b>9.1</b>	<b>25.0</b>	<b>+0.238</b>
<b>Total State and Local Taxes</b>	<b>-379.7</b>	<b>-709.3</b>	<b>17.1</b>	<b>312.6</b>	<b>-484.4</b>	<b>104.7</b>	<b>+1.589</b>

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.

\*\*Although the Suits index for a single tax or the tax system as a whole will be between -1.000 (most regressive) and +1.000 (most progressive), the Suits index for a law change can lie outside this range. This is particularly true if the change combines tax cuts for lower income households with tax increases for high income households (as it does here), or vice versa.

## ***Suits Indexes of Proposed Changes***

**Table 4a** provides detail of the overall impact of the tax bill 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 41 of the 2021 report.) A tax increase on the higher deciles or a tax reduction on the lower deciles makes the tax system more progressive. A tax reduction on the higher deciles or a tax increase on the lower deciles makes the tax system more regressive.

The tax bill will change the Suits index for the overall tax system from -0.054 to -0.035, making the system slightly less regressive and closer to proportional.

### Income and Estate Taxes

Changes to income and estate taxes overall make the tax system more progressive with a combined Suits Index of +1.380. The Suits index is greater than 1 because the bill combines tax decreases at the lower income ranges with tax increases in the top decile. Total tax decreases on Minnesota households are estimated to be \$698.7 million.

- Reductions in personal income taxes are progressive, with most of the benefit concentrated at lower deciles. The Suits Index for these changes is +1.121.
- Individual income tax increases for flow-through entities are progressive, with most of the increase concentrated in the highest decile. The Suits Index for these changes is +0.717.
- The corporate franchise tax increases are regressive with a Suits Index of -0.207.

### State Consumption Taxes

The reductions in the sales tax and gambling tax make the tax system more progressive with a combined Suits Index of +0.450. Total tax decreases on Minnesota households are estimated to be \$17.4 million, with \$14.6 million of that from the reduction in gambling taxes.

### Property Tax Refunds

Changes to the property tax refund for homeowners make the tax system more progressive with a Suits index of +0.724. The repeal of the property tax refund for renters is regressive, although that is offset by the creation of the new renter's income tax credit, which is included in the personal income tax total.

### Local Taxes

Changes to local taxes make the tax system less regressive with a combined Suits Index of +0.238. Local property taxes will decrease by \$89.0 million, offset by local sales tax increases of \$98.1 million. The net tax increase on Minnesota households is estimated to be \$9.1 million.

## Analysis of Tax Provisions in All Bills

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

The following tables show the impact of all tax-related provisions in all bills.

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

- The average increase in total taxes paid is 1.12%. Households in the bottom five deciles have tax decreases. Those in the 2<sup>nd</sup> decile have the largest reduction in tax at 10.21%. Households in the top five deciles have tax increases that generally increase with income.
- The tax increase on the 10<sup>th</sup> decile (\$489.9 million) is greater than the total net tax increase (\$426.5 million). It is offset by tax decreases in the lower deciles.

**Table 1b.**  
**Dollars of Minnesota State and Local Tax Burden**  
**Impact of Tax Changes in All Bills**  
 Estimated Calendar Year 2024 Impact

2024 Population Decile	Income Range	Percent of All Households	Percent of All Income	Minnesota State and Local Tax Burden				
				Current Law Tax Burden (\$1000s)	New Tax Burden (\$1000s)	Change in Tax Burden (\$1000s)	Decile's Share of Total Change in Tax	Percent Increase in Burden Over Prior Law
1	16,552 & under	10%	0.9%	\$ 931,854	\$ 853,292	\$ (78,562)	-18.4%	-8.43%
2	16,553 to 27,877	10%	1.9%	\$ 896,456	\$ 804,888	\$ (91,568)	-21.5%	-10.21%
3	27,878 to 39,910	10%	2.9%	\$ 1,128,702	\$ 1,051,038	\$ (77,664)	-18.2%	-6.88%
4	39,911 to 52,158	10%	4.0%	\$ 1,548,886	\$ 1,521,847	\$ (27,039)	-6.3%	-1.75%
5	52,159 to 66,770	10%	5.1%	\$ 2,052,022	\$ 2,045,994	\$ (6,028)	-1.4%	-0.29%
6	66,771 to 85,609	10%	6.5%	\$ 2,618,051	\$ 2,629,712	\$ 11,661	2.7%	0.45%
7	85,610 to 111,624	10%	8.4%	\$ 3,395,185	\$ 3,407,818	\$ 12,633	3.0%	0.37%
8	111,625 to 148,734	10%	11.1%	\$ 4,474,915	\$ 4,514,195	\$ 39,280	9.2%	0.88%
9	148,735 to 223,388	10%	15.5%	\$ 5,877,532	\$ 6,031,396	\$ 153,863	36.1%	2.62%
10	223,389 & over	10%	43.7%	\$ 15,231,919	\$ 15,721,794	\$ 489,875	114.9%	3.22%
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>100.0%</b>	<b>\$ 38,155,523</b>	<b>\$ 38,581,973</b>	<b>\$ 426,451</b>	<b>100.0%</b>	<b>1.12%</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	11.3%	\$ 4,105,055	\$ 4,211,198	\$ 106,143	24.9%	2.59%
Next 4%	318,470 to 804,985	4%	15.8%	\$ 5,625,789	\$ 5,796,133	\$ 170,344	39.9%	3.03%
Top 1%	804,986 & over	1%	16.6%	\$ 5,501,076	\$ 5,714,463	\$ 213,387	50.0%	3.88%
Full Decile	223,389 & over	10%	43.7%	\$ 15,231,919	\$ 15,721,794	\$ 489,875	114.9%	3.22%

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

- Minnesota residents’ state and local tax burden will increase by an average of 0.13% of income, although the tax burden decreases for the lower deciles. The decreased tax burden is largest for the lowest deciles and declines at higher income ranges. The burden for the top 1 percent of filers will increase by 0.38% of income.

**Table 2b.**  
**Tax burden as Percent of Income**  
**Impact of Tax Changes in All Bills**  
 Estimated Calendar Year 2024 Impact

2024 Population Decile	Income Range	Percent of All Households	Minnesota State and Local Tax Burden as Percent of Income		
			Current Law	New Law	Change
1	16,552 & under	10%	31.70%	29.03%	-2.67%
2	16,553 to 27,877	10%	13.79%	12.38%	-1.41%
3	27,878 to 39,910	10%	11.41%	10.63%	-0.79%
4	39,911 to 52,158	10%	11.53%	11.33%	-0.20%
5	52,159 to 66,770	10%	11.89%	11.86%	-0.03%
6	66,771 to 85,609	10%	11.82%	11.87%	0.05%
7	85,610 to 111,624	10%	11.87%	11.92%	0.04%
8	111,625 to 148,734	10%	11.86%	11.96%	0.10%
9	148,735 to 223,388	10%	11.16%	11.46%	0.29%
10	223,389 & over	10%	10.26%	10.59%	0.33%
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>11.24%</b>	<b>11.36%</b>	<b>0.13%</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 250,362	5%	10.66%	10.93%	0.28%
Next 4%	250,363 to 598,214	4%	10.50%	10.82%	0.32%
Top 1%	598,215 & over	1%	9.76%	10.14%	0.38%
Full Decile	223,389 & over	10%	10.26%	10.59%	0.33%

**Table 3b** on the following page shows the change in dollars of tax burden by tax type.

- **Personal income tax** reductions are concentrated at lower deciles while income tax reductions associated with pass-through businesses are concentrated at higher incomes.
- **Increases in local sales tax** burdens increase gradually with income, with the top two deciles bearing about 43.7% of the increase, although the increase is still regressive.
- About 37.5% of the reductions in **local property taxes** falls on the top three deciles.

**Table 3b. Change in Minnesota State and Local Tax Burden by Tax Type**

**Impact of Tax Changes in All Bills**

Estimated Calendar Year 2024 Impact, by Tax Type

Dollars in \$1,000s

2024 Population Decile	Income Range	Percent of All Households	Percent of All Income	Change in Tax Burden, State						
				Income Tax-- Personal	Income Tax-- Flow-Through*	Corporate Tax	State Sales & Excise Tax	State Property Tax	PTR	Other State Taxes
1	16,552 & under	10%	0.9%	\$ (161,110)	\$ (839)	\$ 5,940	\$ 8,475	\$ 3,108	\$ 46,999	\$ (479)
2	16,553 to 27,877	10%	1.9%	\$ (194,966)	\$ (76)	\$ 7,968	\$ 11,331	\$ 3,430	\$ 55,490	\$ (734)
3	27,878 to 39,910	10%	2.9%	\$ (189,198)	\$ (136)	\$ 10,013	\$ 14,272	\$ 4,814	\$ 52,809	\$ (802)
4	39,911 to 52,158	10%	4.0%	\$ (133,680)	\$ (128)	\$ 11,812	\$ 16,596	\$ 6,316	\$ 38,970	\$ (1,068)
5	52,159 to 66,770	10%	5.1%	\$ (110,012)	\$ (284)	\$ 13,546	\$ 20,725	\$ 7,981	\$ 25,984	\$ (1,338)
6	66,771 to 85,609	10%	6.5%	\$ (84,761)	\$ (938)	\$ 15,919	\$ 24,106	\$ 9,786	\$ 6,339	\$ (1,453)
7	85,610 to 111,624	10%	8.4%	\$ (92,817)	\$ (1,421)	\$ 19,535	\$ 27,293	\$ 12,134	\$ (2,747)	\$ (1,258)
8	111,625 to 148,734	10%	11.1%	\$ (87,201)	\$ (5,862)	\$ 24,154	\$ 32,363	\$ 15,244	\$ (1,279)	\$ (1,196)
9	148,735 to 223,388	10%	15.5%	\$ (18,401)	\$ (2,909)	\$ 31,985	\$ 38,816	\$ 20,440	\$ (51)	\$ (773)
10	223,389 & over	10%	43.7%	\$ 181,856	\$ 2,607	\$ 60,728	\$ 54,895	\$ 29,108	\$ -	\$ (621)
<b>ALL MINNESOTA HOUSEHOLDS</b>				<b>\$ (890,289)</b>	<b>\$ (9,986)</b>	<b>\$ 201,600</b>	<b>\$ 248,871</b>	<b>\$ 112,361</b>	<b>\$ 222,514</b>	<b>\$ (9,722)</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	11.3%	\$ (4,810)	\$ (335)	\$ 21,470	\$ 21,798	\$ 12,299	\$ -	\$ (387)
Next 4%	318,470 to 804,985	4%	15.8%	\$ 48,600	\$ 343	\$ 24,614	\$ 22,126	\$ 12,011	\$ -	\$ (241)
Top 1%	804,986 & over	1%	16.6%	\$ 138,067	\$ 2,598	\$ 14,643	\$ 10,971	\$ 4,798	\$ -	\$ 8
Full Decile	223,389 & over	10%	43.7%	\$ 181,856	\$ 2,607	\$ 60,728	\$ 54,895	\$ 29,108	\$ -	\$ (621)

\*Includes the impact on business income from sole proprietorships, S corporations, partnerships, and farms.

2024 Population Decile	Income Range	Change in Tax Burden, Local					Change in Tax Burden		
		Local Property Tax				Local Sales**	Local Total	State Total	All
		Homeowner	Rental Prop	Residential	Nonresidential Property				
1	16,552 & under	\$ (1,416)	\$ (959)	\$ 95	\$ (1,011)	\$ 22,635	\$ 19,344	\$ (97,906)	\$ (78,562)
2	16,553 to 27,877	\$ (1,944)	\$ (1,061)	\$ 58	\$ 129	\$ 28,807	\$ 25,989	\$ (117,557)	\$ (91,568)
3	27,878 to 39,910	\$ (2,876)	\$ (1,268)	\$ 72	\$ 99	\$ 34,535	\$ 30,563	\$ (108,227)	\$ (77,664)
4	39,911 to 52,158	\$ (3,972)	\$ (1,432)	\$ 80	\$ 70	\$ 39,398	\$ 34,144	\$ (61,183)	\$ (27,039)
5	52,159 to 66,770	\$ (5,553)	\$ (1,615)	\$ 94	\$ 118	\$ 44,325	\$ 37,370	\$ (43,399)	\$ (6,028)
6	66,771 to 85,609	\$ (7,133)	\$ (1,868)	\$ 111	\$ (134)	\$ 51,688	\$ 42,663	\$ (31,002)	\$ 11,661
7	85,610 to 111,624	\$ (8,914)	\$ (2,251)	\$ 135	\$ 331	\$ 62,613	\$ 51,913	\$ (39,280)	\$ 12,633
8	111,625 to 148,734	\$ (10,899)	\$ (2,775)	\$ 175	\$ (104)	\$ 76,659	\$ 63,057	\$ (23,777)	\$ 39,280
9	148,735 to 223,388	\$ (10,311)	\$ (3,472)	\$ 229	\$ 1,082	\$ 97,228	\$ 84,755	\$ 69,108	\$ 153,863
10	223,389 & over	\$ (13,642)	\$ (7,257)	\$ 748	\$ (732)	\$ 182,185	\$ 161,302	\$ 328,573	\$ 489,875
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>\$ (66,660)</b>	<b>\$ (23,958)</b>	<b>\$ 1,797</b>	<b>\$ (152)</b>	<b>\$ 640,074</b>	<b>\$ 551,101</b>	<b>\$ (124,650)</b>	<b>\$ 426,451</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	\$ (5,536)	\$ (2,280)	\$ 160	\$ 476	\$ 63,288	\$ 56,108	\$ 50,035	\$ 106,143
Next 4%	318,470 to 804,985	\$ (5,899)	\$ (2,785)	\$ 254	\$ (264)	\$ 71,584	\$ 62,891	\$ 107,453	\$ 170,344
Top 1%	804,986 & over	\$ (2,207)	\$ (2,192)	\$ 334	\$ (945)	\$ 47,312	\$ 42,303	\$ 171,085	\$ 213,387
Full Decile	223,389 & over	\$ (13,642)	\$ (7,257)	\$ 748	\$ (732)	\$ 182,185	\$ 161,302	\$ 328,573	\$ 489,875

\*\* Includes impact of general sales tax on cannabis products

**Table 4b. Impact of All Bills on State and Local Tax Collections and Tax Burdens  
Calendar Year 2024**

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* (Full Sample)
		MN Households	Non-Residents	Business	MN Households	Exported	
<b>State Taxes</b>							
<b>Taxes on Income and Estates</b>							
Individual income tax--Personal	-887.0	-890.3	3.3		-890.3	3.3	+1.121
Individual income tax--Flow-through	-9.8	-10.0	0.2		-10.0	0.2	+0.717
Corporate franchise tax	278.2			278.2	201.6	76.6	-0.207
Estate tax							
<b>Total Income and Estate Taxes</b>	<b>-618.6</b>	<b>-900.3</b>	<b>3.5</b>	<b>278.2</b>	<b>-698.7</b>	<b>80.1</b>	<b>+1.380</b>
<b>Taxes on Consumption</b>							
Total sales tax							
General sales tax	-3.2	-0.7	-0.1	-2.4	-2.8	-0.4	+0.220
Sales tax on motor vehicles	131.1	107.6	6.4	17.2	123.5	7.6	-0.217
Motor fuels excise tax	104.8	62.9	6.8	35.2	93.3	11.6	-0.319
Alcoholic beverage excise taxes							
Cigarette and tobacco excise taxes							
Insurance premiums taxes	5.1	4.1	0.0	1.0	4.9	0.2	-0.327
Gambling taxes	-14.6	-14.6			-14.6		+0.493
MinnesotaCare taxes							
Cannabis sales and excise tax	38.7	34.8	3.9		34.8	3.9	-0.610
Solid waste management taxes							
<b>Total Consumption Taxes</b>	<b>262.0</b>	<b>194.1</b>	<b>17.0</b>	<b>50.9</b>	<b>239.1</b>	<b>22.8</b>	<b>-0.299</b>
<b>Taxes on Property</b>							
Residential recreational property							
Commercial							
Industrial							
Utility							
Motor vehicle registration tax	117.2	99.5	0.0	17.7	112.4	4.8	-0.240
Mortgage and deed taxes							
<b>Total Property Taxes</b>	<b>117.2</b>	<b>99.5</b>		<b>17.7</b>	<b>112.4</b>	<b>4.8</b>	<b>-0.240</b>
<b>Property Tax Refunds</b>							
Homeowners	-19.8	-19.8			-19.8		+0.724
Renters	242.3	242.3			242.3		-0.901
<b>Total Property Tax Refunds</b>	<b>222.5</b>	<b>222.5</b>			<b>222.5</b>		<b>-0.917</b>
<b>Total State Taxes</b>	<b>-16.9</b>	<b>-384.2</b>	<b>20.4</b>	<b>346.8</b>	<b>-124.7</b>	<b>107.7</b>	<b>+5.304</b>
<b>Local Taxes</b>							
<b>Property Taxes</b>							
General Property Tax	-84.7	-64.9	0.6	-20.5	-89.0	4.3	+0.279
Homeowners (before PTR)	-66.7	-66.7			-66.7		+0.302
Residential recreational property	2.4	1.8	0.6		1.8	0.6	-0.055
Commercial	10.6			10.6	6.0	4.6	-0.148
Industrial	4.7			4.7	2.7	2.0	-0.080
Farm (other than residence)	-6.5			-6.5	-10.5	4.0	+0.115
Rental Housing	-31.5			-31.5	-24.0	-7.6	+0.211
Utility	2.2			2.2	1.7	0.5	-0.213
Mining Production Taxes (taconite)							
Taxes on Consumption							
Local Sales Taxes**	736.1	334.1	48.1	353.9	640.1	96.0	-0.233
<b>Total Local Taxes</b>	<b>651.4</b>	<b>269.2</b>	<b>48.7</b>	<b>333.5</b>	<b>551.1</b>	<b>100.3</b>	<b>-0.225</b>
<b>Total State and Local Taxes</b>	<b>634.5</b>	<b>-115.0</b>	<b>69.2</b>	<b>680.3</b>	<b>426.5</b>	<b>208.0</b>	<b>+1.259</b>

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.

\*Although the Suits index for a single tax or the tax system as a whole will be between -1.000 (most regressive) and +1.000 (most progressive), the Suits index for a law change can lie outside this range. This is particularly true if the change combines tax cuts for lower income households with tax increases for high income households (as it does here), or vice versa.

\*\* Include local sales tax on cannabis products.

## ***Suits Indexes of Proposed Changes***

**Table 4b** provides detail of the overall impact of the tax law changes in all bills, in the same manner as shown on Table 3-1 in the *Tax Incidence Study for all current-law taxes*.

The bills will change the Suits index for the overall tax system from -0.054 to -0.040, making the system slightly less regressive and closer to proportional. The magnitude of the change is smaller than for the tax bill alone, since the progressive changes in the tax bill are offset by the regressive increases in sales and excise taxes.

### Income and Estate Taxes

Changes to income and estate taxes overall make the tax system more progressive with a combined Suits Index of +1.380. Total tax decreases on Minnesota households are estimated to be \$698.7 million.

- Reductions in personal income taxes are progressive, with most of the benefit concentrated at lower deciles. The Suits Index for these changes is +1.121.
- 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 +0.717.
- The corporate franchise tax increases are moderately regressive with a Suits Index of -0.207.

### State Consumption Taxes

Changes to state sales and excise taxes make the tax system more regressive with a combined Suits Index of -0.299. Total tax increases on Minnesota households are estimated to be \$239.1 million. The largest increases in state sales and excise taxes are in motor vehicle sales tax and motor fuels excise tax.

### State Property Taxes

The only change to state property taxes is an increase in the motor vehicle registration tax, which makes the tax system more regressive with a Suits Index of -0.240. Total taxes on Minnesota households are estimated to increase by \$112.4 million.

### Total State Taxes

The combined Suits index for all changes to state taxes is very high at 5.304. That is a result of the combination of tax increases and tax decreases in the bills, with a relatively small net change in tax. For instance, the changes to personal income tax will reduce tax burdens by \$890.3 million, more than 7 times the total net decrease for all state taxes of \$124.7 million. The combination of large tax reductions for some individuals with a relatively small net change will yield very high Suits indexes.

## Local Taxes

Increases to local taxes make the tax system more regressive with a combined Suits Index of -0.225. Total tax increases on Minnesota households are estimated to be \$551.1 million. The increase is mostly due to two new metropolitan area local sales taxes. Local property taxes are estimated to decrease overall by about \$76.1 million.



## **Appendix 1: Impact on Both Minnesota and Federal Tax Burdens**

Because homeowner property taxes, state income taxes, and motor vehicle registration taxes can be claimed as itemized deductions on federal income tax returns, a change in these state and local taxes can change federal tax liability. The impact on federal tax offsets part of any increase or decrease in each of these Minnesota taxes.

There is no federal offset for those who do not itemize deductions, nor is there any tax offset for a taxpayer who is subject to the federal alternative minimum tax (because property, state income, and motor vehicle registration taxes are not deductible under the AMT). For those who itemize and are not subject to the federal AMT, the portion of the change in Minnesota tax that is offset by a change in federal liability is generally equal to the federal tax rate on the last dollar of the taxpayer's income. For example, the offset is 15% for a taxpayer in the 15% tax bracket and 36.9% for a taxpayer in the 36.9% tax bracket. This analysis takes into account the federal law changes in the TCJA, including the limit on state and local tax deductions to \$10,000 (\$5,000 for married separate filers) and the federal income tax rate changes.

- The \$900.3 million decrease in Minnesota income taxes paid by Minnesota residents is offset by a **\$6.8 million increase** in federal tax.
- The \$66.7 million decrease in property taxes on homeowners is offset by a **\$0.5 million increase** in federal tax.
- The net \$99.5 million increase in motor vehicle registration tax is offset by a **\$0.75 million decrease** in federal tax.
- Although the bills will increase the burden of *Minnesota* state and local taxes by \$426.5 million, they will increase the total burden of *federal plus Minnesota* state and local tax burdens by **\$433.7 million**.

The impact of the federal tax offset on the change in effective tax rates is shown in Tables 5 and 6. The impact is smaller than pre-TCJA offsets because fewer taxpayers itemize deductions, and for those that do, state and local tax deductions are limited. As a result, for many taxpayers, a change in state or local taxes does not result in a change in federal tax. This analysis does not account for shareholders who elect to pay the pass-through entity tax, which would increase the extent of the income tax offset since it allows taxpayers to deduct all state income taxes without limit.

**Table 5.**  
**Dollar Change in Minnesota State, Local, and Federal Tax Burden**

(Dollars in \$1,000s)

2024 Population Decile	Income Range	Number of Households	Net Change in Minnesota Tax Burden	Net Change in Federal Taxes Due To:			Net Change in Minnesota <u>and Federal</u> Tax Burden (\$1,000s)
				Change in Itemized Deductions for Minnesota Income Tax	Change in Itemized Deductions for Home Property Taxes	Change in Itemized Deduction for Motor Vehicle Registration	
1	16,552 & under	10%	\$ (78,562)	\$ 0	\$ 0	\$ (0)	\$ (78,562)
2	16,553 to 27,877	10%	\$ (91,568)	\$ 12	\$ 1	\$ (1)	\$ (91,555)
3	27,878 to 39,910	10%	\$ (77,664)	\$ 68	\$ 5	\$ (7)	\$ (77,591)
4	39,911 to 52,158	10%	\$ (27,039)	\$ 208	\$ 15	\$ (23)	\$ (26,815)
5	52,159 to 66,770	10%	\$ (6,028)	\$ 618	\$ 46	\$ (68)	\$ (5,364)
6	66,771 to 85,609	10%	\$ 11,661	\$ 1,241	\$ 92	\$ (137)	\$ 12,994
7	85,610 to 111,624	10%	\$ 12,633	\$ 2,504	\$ 185	\$ (277)	\$ 15,323
8	111,625 to 148,734	10%	\$ 39,280	\$ 1,188	\$ 88	\$ (131)	\$ 40,556
9	148,735 to 223,388	10%	\$ 153,863	\$ 441	\$ 33	\$ (49)	\$ 154,336
10	223,389 & over	10%	\$ 489,875	\$ 512	\$ 38	\$ (57)	\$ 490,425
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>\$ 426,451</b>	<b>\$ 6,792</b>	<b>\$ 503</b>	<b>\$ (751)</b>	<b>\$ 433,745</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	\$ 106,143	\$ 178	\$ 13	\$ (20)	\$ 106,335
Next 4%	318,470 to 804,985	4%	\$ 170,344	\$ 88	\$ 7	\$ (10)	\$ 170,439
Top 1%	804,986 & over	1%	\$ 213,387	\$ 246	\$ 18	\$ (27)	\$ 213,651
Full Decile	223,389 & over	10%	\$ 489,875	\$ 512	\$ 38	\$ (57)	\$ 490,425

**Table 6.**  
**Change in Minnesota State, Local, and Federal Tax Burden as Percent of Income**

2024 Population Decile	Income Range	Percent of All Households	Net Change in Minnesota Tax Burden as Percent of Income	Net Change in Federal Taxes as Percent of Income			Net Change in Minnesota <u>and Federal</u> Tax Burden as Percent of Income
				Change in Itemized Deductions for Minnesota Income Tax	Change in Itemized Deductions for Home Property Taxes	Change in Itemized Deduction for Motor Vehicle Registration	
1	16,552 & under	10%	-2.67%	0.000%	0.000%	0.000%	-2.67%
2	16,553 to 27,877	10%	-1.41%	0.000%	0.000%	0.000%	-1.41%
3	27,878 to 39,910	10%	-0.79%	0.001%	0.000%	0.000%	-0.78%
4	39,911 to 52,158	10%	-0.20%	0.002%	0.000%	0.000%	-0.20%
5	52,159 to 66,770	10%	-0.03%	0.004%	0.000%	0.000%	-0.03%
6	66,771 to 85,609	10%	0.05%	0.006%	0.000%	-0.001%	0.06%
7	85,610 to 111,624	10%	0.04%	0.009%	0.001%	-0.001%	0.05%
8	111,625 to 148,734	10%	0.10%	0.003%	0.000%	0.000%	0.11%
9	148,735 to 223,388	10%	0.29%	0.001%	0.000%	0.000%	0.29%
10	223,389 & over	10%	0.33%	0.000%	0.000%	0.000%	0.33%
<b>ALL MINNESOTA HOUSEHOLDS</b>		<b>100%</b>	<b>0.13%</b>	<b>0.002%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.13%</b>

*Detail for the 10th Decile*

Lower Half	223,389 to 318,469	5%	<b>0.28%</b>	0.0005%	0.0000%	-0.0001%	<b>0.28%</b>
Next 4%	318,470 to 804,985	4%	<b>0.32%</b>	0.0002%	0.0000%	0.0000%	<b>0.32%</b>
Top 1%	804,986 & over	1%	<b>0.38%</b>	0.0004%	0.0000%	0.0000%	<b>0.38%</b>
Full Decile	223,389 & over	10%	<b>0.33%</b>	0.0003%	0.0000%	0.0000%	<b>0.33%</b>

## Appendix 2: 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 69-70 of the 2021 *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. Therefore \$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: 52% shifted to Minnesota consumers, 20% shifted to Minnesota workers, less than 1% borne by Minnesota owners, and 28% borne by nonresidents and the federal government.

- Business property tax changes: The changes to business property taxes include a mix of tax increases and decreases. The following table shows the incidence by sector.

Sector	Total Tax Change	MN Consumers	MN Workers	MN Owners	Exported
Residential	(\$31,500,000)	72.1%	0.0%	3.0%	24.9%
Commercial	\$10,600,000	40.9%	7.6%	9.4%	42.1%
Industrial	\$4,700,000	7.8%	44.1%	5.4%	42.6%
Public Utility	\$2,200,000	57.2%	18.7%	0.6%	23.5%
Farm	(\$6,500,000)	0.0%	2.1%	80.1%	17.9%

- 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: 65.3% of the burden is assumed to fall on Minnesota consumers, 19.6% on Minnesota workers, 1.5% on Minnesota owners, and 13.6% on nonresidents and the federal government.
  - Motor vehicle sales tax: 92.95% of the burden is assumed to fall on Minnesota consumers, and the rest on nonresidents and the federal government.
  - Motor vehicle registration tax: 47.3% on Minnesota consumers, 22.4% on Minnesota workers, 30.3% on Minnesota owners, and 27.3% on nonresidents and the federal government.