

March 3, 2025

	<b>Yes</b>	<b>No</b>
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of H.F. 812 (Wiener) / S.F. 1195 (Wesenberg)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>	<b><u>F.Y. 2028</u></b>	<b><u>F.Y. 2029</u></b>
	(000's)			
General Fund	(\$5,140,300)	(\$3,787,200)	(\$4,025,200)	(\$4,115,300)

Effective beginning tax year 2025.

**EXPLANATION OF THE BILL**

**Current Law:** The income tax rates and brackets for tax year 2025 are shown in the following table:

Income Tax Brackets: Tax Year 2025

	<b>5.35% Up To</b>	<b>6.80%</b>	<b>7.85%</b>	<b>9.85% Over</b>
Single	\$32,570	\$32,570 to \$106,990	\$106,990 to \$198,630	\$198,630
Married filing Joint	\$47,620	\$47,620 to \$189,180	\$189,180 to \$330,410	\$330,410
Married filing Separate	\$23,810	\$23,810 to \$94,590	\$94,590 to \$165,205	\$165,205
Head of Household	\$40,100	\$40,100 to \$161,130	\$161,130 to \$264,050	\$264,050

**Proposed Law:** The proposal changes the first tax rate from 5.35% to 0.0%. The income tax brackets are unchanged but are restated as tax year 2025 amounts. Beginning in tax year 2026, the thresholds would be adjusted for inflation in the same manner as the existing brackets. The tax year impact is as follows:

<b>Tax Year Impact</b>	
<b>(\$000s)</b>	
TY 2025	(\$3,790,100)
TY 2026	(\$3,893,900)
TY 2027	(\$3,996,800)
TY 2028	(\$4,104,100)
TY 2029	(\$4,201,200)

**REVENUE ANALYSIS DETAIL**

- The House Income Tax Simulation Model (HITS 7.5) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the budget forecast published in November 2024. The model uses a stratified random sample of tax year 2022 individual income tax returns compiled by the Minnesota Department of Revenue.

**REVENUE ANALYSIS DETAIL (Cont.)**

- All of tax year 2025 was allocated to fiscal year 2026. In allocating other tax years to fiscal years, a standard formula was applied that accounts for changes in withholding and estimated payments.

**Number of Taxpayers:** For tax year 2025, an estimated 2,390,200 returns (about 79.8% of all returns) would have an average decrease in tax of \$1,586 per return.

Minnesota Department of Revenue  
Tax Research Division  
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