



INDIVIDUAL INCOME TAX  
CORPORATE FRANCHISE TAX  
5<sup>th</sup> Tier; Increase Corporate Rate

March 19, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2290 (McEwen), As Proposed to be Amended (SCS2290A-2)

	Fund Impact			
	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
5 <sup>th</sup> Income Tax Bracket at 12.45%	\$1,381,300	\$1,094,400	\$1,157,400	\$1,204,900
Increase Corporate Rate to 12.45%	\$963,700	\$737,000	\$742,800	\$761,800
General Fund Total	\$2,345,000	\$1,831,400	\$1,900,200	\$1,966,700

Effective beginning with tax year 2025.

## EXPLANATION OF THE BILL

### *Individual Income Tax*

**Current Law:** Current law includes four individual income tax brackets. The brackets for tax year 2025 are shown below.

#### Income Tax Brackets: Tax Year 2025

	5.35% Up To	6.80%	7.85%	9.85% Over
Married Joint	\$47,620	\$47,621 to \$189,180	\$189,181 to \$330,410	\$330,410
Married Separate	\$23,810	\$23,811 to \$94,590	\$94,591 to \$165,205	\$165,205
Single	\$32,570	\$32,571 to \$106,990	\$106,991 to \$198,630	\$198,630
Head of Household	\$40,100	\$40,101 to \$161,130	\$161,131 to \$264,050	\$264,050

**Proposed Law:** The bill would create a fifth tier with a tax rate of 12.45% starting in tax year 2025. The bracket is set at \$500,000 for married joint filers, \$250,000 for married separate filers, \$250,000 for single filers, and \$400,000 for head of household filers. Beginning in tax year 2026, 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 2025	\$1,036,400
TY 2026	\$1,078,000
TY 2027	\$1,143,400
TY 2028	\$1,187,300
TY 2029	\$1,242,800

## EXPLANATION OF THE BILL (Cont.)

### *Corporate Franchise Tax*

**Current Law:** The corporate franchise tax rate is 9.8%.

**Proposed Law:** As proposed to be amended, the bill would increase the corporate franchise tax rate to 12.45%. The AMT rate would remain unchanged.

## REVENUE ANALYSIS DETAIL

### *Individual Income Tax*

- 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 February 2025.
- The model uses a stratified random sample of tax year 2022 individual income tax returns compiled by the Minnesota Department of Revenue.
- 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.

### *Corporate Franchise Tax*

- Estimates are based on the February 2025 forecast.
- All of tax year 2025 was allocated to fiscal year 2026. All other tax year impacts are allocated 30% to the current fiscal year, and 70% to the following fiscal year.

**Number of Taxpayers:** For tax year 2025, about 81,600 individual income tax returns (2.7% of all returns) would have an average increase in tax of \$12,695 per return. The corporate rate change would increase tax liability for about 27,100 legal entities.

Minnesota Department of Revenue  
Tax Research Division

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