

Supplement to the 2024 Minnesota Tax Handbook

This supplement to the 2024 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in 2025. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2026, and state tax collections for fiscal year 2025.

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
January 2026

History of Major Changes

STATE TAXES

Individual Income Tax • Page 10

- 2025 – Subtraction for discharged coerced debt enacted.
- Assignment of K-12 Education credit repealed.
- Subtraction for foreign service pension income enacted.
- Research and development credit made partially refundable.

Corporate Franchise Tax • Page 16

- 2025 – Research and development credit made partially refundable.

General Sales and Use Tax • Page 24

- 2025 – Cannabis gross receipts tax rate increased from 10% to 15%, effective July 2025.
- Cannabis gross receipts disposition change to 100% of revenues to the General Fund, no local government dedication, effective July 2025.
- Repealed Controlled Substances tax effective July 2025
- June accelerated payment re-enacted at 5.6% (June 2027).
- Electricity exemption for qualified data centers repealed.
- Exemption for qualified data centers extended from 20 years to 35 years.
- Fuel products and road construction materials exempt from the Retail Delivery Fee.

MinnesotaCare Tax On Health Care Providers, Hospitals, and Surgical Center • Page 49

- 2025 — Research credit rate reduced to 0.5%, credit limit and annual rate adjustment provision repealed.

MinnesotaCare Tax on Wholesale Drug Distributors • Page 51

- 2025 — Gross revenues for wholesale drug distributors amended to include rebates provided to customers.
- Pharmacy refund can now be claimed quarterly instead of annually.

LOCAL TAXES

General Property Tax • Page 67

- 2025 – No changes from the 2024 Handbook.

Minnesota State Tax Collections Fiscal Year 2025
All Funds—Net After Refunds

	FY 2025 Collections	
		% of Total
Individual Income Tax	\$16,655,774,000	46.98%
Corporate Franchise Tax	3,192,096,000	9.00%
Estate Tax	360,781,000	1.02%
General Sales & Use Tax	8,029,190,000	22.65%
Liquor Gross Receipts Tax	113,304,000	0.32%
Motor Vehicle Rental Tax	33,826,000	0.10%
Motor Vehicle Rental Fee	2,704,000	0.01%
Motor Vehicle Sales Tax	1,103,795,000	3.11%
Motor Fuel Excise Taxes	929,642,000	2.62%
Cannabis Gross Receipts Tax	16,843,000	0.05%
Retail Delivery Fee	19,940,000	0.06%
Alcoholic Beverage Taxes	109,391,000	0.31%
Cigarette Taxes	378,793,000	1.07%
Tobacco Products Taxes	159,883,000	0.45%
Mortgage Registry Tax	119,966,000	0.34%
Deed Transfer Tax	140,305,000	0.40%
Lawful Gambling Taxes	197,237,000	0.56%
Pari-Mutuel Tax	1,194,000	*
Insurance Premiums Taxes	709,611,000	2.00%
Health Care Surcharges	294,320,000	0.83%
MinnesotaCare Taxes	891,344,000	2.51%
Mining Occupation Taxes	66,186,000	0.19%
State Property Tax	745,305,000	2.10%
Contamination Tax	328,000	*
Motor Vehicle Registration Tax	1,043,335,000	2.94%
Air-Flight Property Tax	7,021,000	0.02%
Aircraft Registration Tax	3,414,000	0.01%
Rural Electric Co-Ops	56,000	*
Solid Waste Management Taxes	121,097,000	0.34%
Metropolitan Landfill Fee	4,527,000	0.01%
Total	35,451,208,000	100.00%

* Less than 0.005%

Rates of Major State Taxes as of January 1, 2026

Individual Income Tax:

	Tax Year 2026 Rates and Taxable Income Brackets*			
	5.35% Up To	6.8%	7.85%	9.85% Over
MJ	\$48,700	\$48,701–\$193,480	\$193,481–\$337,930	\$337,930
MS	24,350	24,351–96,740	96,741–168,965	168,965
HH	41,010	41,011–164,800	164,801–270,060	270,060
S	33,310	33,311–109,430	109,431–203,150	203,150

Corporate Franchise Tax:	9.8%
General Sales and Use Tax:	6.875%
Liquor Gross Receipts Tax:	2.5%
Cannabis Gross Receipts Tax:	15%
Motor Vehicle Rental Tax:	9.2%
Motor Vehicle Rental Fee:	5.0%
Motor Vehicle Sales Tax:	6.875%
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 1.575% 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 2026, 28.313% of the net tax capacity for commercial and industrial property; 9.203% for seasonal recreational property.

Class Rates for Major Classes of Property Payable 2026

Class and Type of Property	Net Class Rate
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 \$3,800,000 MV	0.5% ^a
Over \$3,800,000 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 \$150,000 MV	1.5%
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
Low Income Rental Housing	0.25%
Homestead community land trust	0.75%
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.