

**Net Investment Income Tax
Individual Income Tax**

	FY 2024	FY 2025	FY 2026	FY 2027
		(\$000s)		
General Fund	\$68,300	\$76,800	\$78,100	\$79,000

Effective beginning with tax year 2023.

The proposal creates a tax on all net investment income of individuals, estates, and trusts over \$1,000,000 at a rate of 0.9%. Net investment income includes interest, dividends, annuities, royalties, and other gains not derived from a trade or business, excluding gains from agricultural land sales.

For nonresidents and part-year residents, the tax is calculated as if the individual is a full-year resident and then multiplied by the fraction of net investment income allocable to Minnesota divided by the total amount of net investment income.

- The estimate is based on a sample of tax year 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- In 2019, about \$7.675 billion in net investment income over \$1 million was reported on Minnesota income tax returns.
- An estimated \$82.0 million in gains from agricultural sales would be exempt from the tax, based on average agricultural sales in 2018-2020.
- Growth is based on projected growth in capital gains in the February 2023 forecast.
- About 3,500 returns would be affected in tax year 2023. The average increase in tax would be approximately \$19,316.

Minnesota Department of Revenue
Tax Research Division
May 12, 2023