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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 4845

04/07/2026 Authored by Hollins, Gomez, Xiong and Virnig The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; income; aids to local governments; establishing a new fifth
1.3 tier individual income tax rate; increasing the appropriations for local government
1.4 aid and county program aid; amending Minnesota Statutes 2024, sections 290.06,
1.5 subdivision 2d; 477A.03, subdivisions 2a, 2b; Minnesota Statutes 2025 Supplement,
1.6 section 290.06, subdivision 2c.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2025 Supplement, section 290.06, subdivision 2c, is amended
1.9 to read:

1.10 Subd. 2c. Schedules of rates for individuals, estates, and trusts. (a) The income taxes
1.11 imposed by this chapter upon married individuals filing joint returns and surviving spouses
1.12 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to
1.13 their taxable net income the following schedule of rates:

- 1.14 (1) on the first ~~\$38,770~~ \$48,700, 5.35 percent;
1.15 (2) on all over ~~\$38,770~~ \$48,700, but not over ~~\$154,020~~ \$193,480, 6.8 percent;
1.16 (3) on all over ~~\$154,020~~ \$193,480, but not over ~~\$269,040~~ \$337,930, 7.85 percent;
1.17 (4) on all over ~~\$269,040~~ \$337,930, but not over \$1,000,000, 9.85 percent.; and
1.18 (5) on all over \$1,000,000, 10.85 percent.

1.19 Married individuals filing separate returns, estates, and trusts must compute their income
1.20 tax by applying the above rates to their taxable income, except that the income brackets
1.21 will be one-half of the above amounts after the adjustment required in subdivision 2d.

2.1 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
 2.2 computed by applying to taxable net income the following schedule of rates:

2.3 (1) on the first ~~\$26,520~~ \$33,310, 5.35 percent;

2.4 (2) on all over ~~\$26,520~~ \$33,310, but not over ~~\$87,110~~ \$109,430, 6.8 percent;

2.5 (3) on all over ~~\$87,110~~ \$109,430, but not over ~~\$161,720~~ \$203,150, 7.85 percent;

2.6 (4) on all over ~~\$161,720~~ \$203,150, but not over \$600,000, 9.85 percent; and

2.7 (5) on all over \$600,000, 10.85 percent.

2.8 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as  
 2.9 a head of household as defined in section 2(b) of the Internal Revenue Code must be  
 2.10 computed by applying to taxable net income the following schedule of rates:

2.11 (1) on the first ~~\$32,650~~ \$41,010, 5.35 percent;

2.12 (2) on all over ~~\$32,650~~ \$41,010, but not over ~~\$131,190~~ \$164,800, 6.8 percent;

2.13 (3) on all over ~~\$131,190~~ \$164,800, but not over ~~\$214,980~~ \$270,060, 7.85 percent;

2.14 (4) on all over ~~\$214,980~~ \$270,060, but not over \$800,000, 9.85 percent; and

2.15 (5) on all over \$800,000, 10.85 percent.

2.16 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
 2.17 of any individual taxpayer whose taxable net income for the taxable year is less than an  
 2.18 amount determined by the commissioner must be computed in accordance with tables  
 2.19 prepared and issued by the commissioner of revenue based on income brackets of not more  
 2.20 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in  
 2.21 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
 2.22 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

2.23 (e) An individual who is not a Minnesota resident for the entire year must compute the  
 2.24 individual's Minnesota income tax as provided in this subdivision. After the application of  
 2.25 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied  
 2.26 by a fraction in which:

2.27 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
 2.28 defined in section 62 of the Internal Revenue Code and increased by:

2.29 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,  
 2.30 and 20, and 290.0137, paragraph (a); and reduced by

3.1 (ii) the Minnesota assignable portion of the subtraction for United States government  
 3.2 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,  
 3.3 subdivisions 9, 14, 15, 18, 27, 31, and 32, and 290.0137, paragraph (c), after applying the  
 3.4 allocation and assignability provisions of section 290.081, ~~clause~~ paragraph (a), or 290.17;  
 3.5 and

3.6 (2) the denominator is the individual's federal adjusted gross income as defined in section  
 3.7 62 of the Internal Revenue Code, increased by:

3.8 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,  
 3.9 and 20, and 290.0137, paragraph (a); and reduced by

3.10 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 14, 15, 18, 27, 31, and  
 3.11 32, and 290.0137, paragraph (c).

3.12 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying  
 3.13 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision  
 3.14 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as  
 3.15 provided in paragraph (e), and also must include, to the extent attributed to the electing  
 3.16 qualifying entity:

3.17 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the  
 3.18 addition under section 290.0131, subdivision 5; and

3.19 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the  
 3.20 subtraction under section 290.0132, subdivision 3.

3.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 3.22 31, 2025.

3.23 Sec. 2. Minnesota Statutes 2024, section 290.06, subdivision 2d, is amended to read:

3.24 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust  
 3.25 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed  
 3.26 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~  
 3.27 2026. The rate applicable to any rate bracket must not be changed. The dollar amounts  
 3.28 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
 3.29 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
 3.30 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the  
 3.31 rate bracket for married filing separate returns after this adjustment is done. The rate bracket  
 3.32 for married filing separate must be one-half of the rate bracket for married filing joint.

4.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.2 31, 2025.

4.3 Sec. 3. Minnesota Statutes 2024, section 477A.03, subdivision 2a, is amended to read:

4.4 Subd. 2a. **Cities.** ~~For aids payable in 2021 through 2023, the total aid payable under~~  
4.5 ~~section 477A.013, subdivision 9, is \$564,398,012. For aids payable in 2024 and thereafter,~~  
4.6 ~~the total aid payable under section 477A.013, subdivision 9, is \$644,398,012. The total aid~~  
4.7 payable under section 477A.013, subdivision 9, is \$799,898,012.

4.8 **EFFECTIVE DATE.** This section is effective for aids payable in 2026 and thereafter.

4.9 Sec. 4. Minnesota Statutes 2024, section 477A.03, subdivision 2b, is amended to read:

4.10 Subd. 2b. **Counties.** (a) ~~For aids payable in 2021 through 2023, the total aid payable~~  
4.11 ~~under section 477A.0124, subdivision 3, is \$118,795,000, of which \$3,000,000 shall be~~  
4.12 ~~allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable~~  
4.13 ~~in 2024, the total aid payable under section 477A.0124, subdivision 3, is \$154,197,053, of~~  
4.14 ~~which \$3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4,~~  
4.15 ~~section 6. For aids payable in 2025 and thereafter, the total aid payable under section~~  
4.16 477A.0124, subdivision 3, is \$151,197,053. The total aid payable under section 477A.0124,  
4.17 subdivision 3, is \$220,009,793. On or before the first installment date provided in section  
4.18 477A.015, paragraph (a), \$500,000 of this appropriation shall be transferred each year by  
4.19 the commissioner of revenue to the Board of Public Defense for the payment of services  
4.20 under section 611.27. Any transferred amounts not expended or encumbered in a fiscal year  
4.21 shall be certified by the Board of Public Defense to the commissioner of revenue on or  
4.22 before October 1 and shall be included in the next certification of county need aid.

4.23 (b) ~~For aids payable in 2021 through 2023, the total aid under section 477A.0124,~~  
4.24 ~~subdivision 4, is \$145,873,444. For aids payable in 2024 and thereafter, the total aid under~~  
4.25 ~~section 477A.0124, subdivision 4, is \$190,471,391. The total aid under section 477A.0124,~~  
4.26 subdivision 4, is \$277,158,651. The commissioner of revenue shall transfer to the Legislative  
4.27 Budget Office \$207,000 annually for the cost of preparation of local impact notes as required  
4.28 by section 3.987, and other local government activities. The commissioner of revenue shall  
4.29 transfer to the commissioner of education \$7,000 annually for the cost of preparation of  
4.30 local impact notes for school districts as required by section 3.987. The commissioner of  
4.31 revenue shall deduct the amounts transferred under this paragraph from the appropriation  
4.32 under this paragraph. The amounts transferred are appropriated to the Legislative  
4.33 Coordinating Commission and the commissioner of education respectively.

5.1 **EFFECTIVE DATE.** This section is effective for aids payable in 2026 and thereafter.

5.2 Sec. 5. **AID RECERTIFICATION.**

5.3 Notwithstanding Minnesota Statutes, section 477A.014, the commissioner of revenue  
5.4 must recalculate and recertify aids payable in 2026 under Minnesota Statutes, sections  
5.5 477A.0124, subdivisions 3 and 4, and 477A.013, subdivision 9, by July 1, 2026.

5.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.