

April 6, 2026

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

Department of Revenue  
Analysis of H.F. 4123 (Agbaje)

	<b>Fund Impact</b>			
	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>	<b>F.Y. 2028</b>	<b>F.Y. 2029</b>
			(000's)	
General Fund	\$0	\$88,700	\$90,600	\$92,300

Effective beginning with tax year 2026.

**EXPLANATION OF THE BILL**

**Current Law:** All net investment income of individuals, estates, and trusts over \$1,000,000 is taxed at a rate of 1.0%. Net investment income includes interest, dividends, annuities, royalties, and other gains not derived from a trade or business. 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.

**Proposed Law:** Net investment income would also include all income from a trade or business that is not included in self-employment income.

**REVENUE ANALYSIS DETAIL**

- A preliminary sample of individual income tax returns from tax year 2024 was used to estimate the revenue impact. In tax year 2024, about \$14.4 billion in net investment income was reported on 2,900 returns.
- For resident returns paying the current net investment income tax, there was an additional \$5.4 billion of business income not included in self-employment income.
- An additional 4,000 resident returns would be subject to the tax with \$9.7 billion in active business income.
- Since nonresidents may have substantial business income but very little Minnesota tax, the estimate was calculated for full-year resident returns and then increased by 5% to account for nonresidents, based on the percent of the current tax paid by nonresidents.
- Tax year impacts were allocated to the following fiscal year.
- Growth is based on projected growth in rents and royalties in the February 2026 forecast.

**Number of Taxpayers:** For tax year 2026, about 5,140 returns would have an average increase in tax of \$16,400. Some taxpayers will have a decrease in tax because business income can be negative. About 700 returns would have an average decrease in tax of \$1,680.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>