

March 22, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1335 (Her) / S.F. 1401 (Murphy)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$884,000	\$765,300	\$717,700	\$725,700

Effective beginning with tax year 2021.

EXPLANATION OF THE BILL

Proposed Law: The proposal adds a new top bracket at a rate of 12.45% starting in tax year 2021. The 12.45% 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 2022, 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 2021	\$700,500
TY 2022	\$721,600
TY 2023	\$716,900
TY 2024	\$719,000
TY 2025	\$739,700

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 7.0) 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 2021. The model uses a stratified random sample of tax year 2018 individual income tax returns compiled by the Minnesota Department of Revenue.
- All of tax year 2021 was allocated to fiscal year 2022. In allocating other tax years to fiscal years, a standard formula was applied.
- For tax year 2021 an estimated 53,030 returns would have an average increase in tax of \$13,211 per return.

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