

Subject Fifth tier of the individual income tax established at a rate necessary to offset changes in federal Medicaid funds

Authors Gomez and others

Analyst Sean Williams

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Overview

H.F. 2591 establishes a fifth tier of the individual income tax at a rate sufficient to offset lost federal Medicaid funding. Minnesota Management and Budget (MMB) would certify to the Department of Revenue (DOR) the amount of federal Medicaid funding lost as a result of federal law changes and administrative actions, and DOR would calculate the income tax rate necessary to offset the loss in revenue for the 2026-2027 biennium. The rate would apply to Minnesota taxable income in excess of \$1,667,000 for married joint returns, \$1,000,000 for single returns, and \$1,334,000 for head of household returns.

Summary

Section	Description
1	<p>Schedule of rates for individuals, estates, and trusts.</p> <p>Establishes a fifth tier of the individual income tax beginning at \$1,667,000 of taxable income for married joint filers, \$1,000,000 for single taxpayers, and \$1,334,000 for head of household filers.</p> <p>Requires DOR to calculate the fifth tier tax rate necessary to offset federal Medicaid funding reductions in fiscal years 2026 and 2027. That rate would go into effect for tax years 2025 and 2026, and would remain in effect for tax year 2027 and later.</p> <p>Effective for tax year 2025 and later.</p>
2	<p>Inflation adjustment of brackets.</p> <p>Rebases the inflation calculation for the income tax brackets. Specifies that the fifth tier brackets would not be subject to inflation adjustments.</p> <p>Effective for tax year 2026 and later.</p>

Section	Description
3	<p>Commissioner of Management and Budget to estimate federal funding loss.</p> <p>Requires MMB to calculate the federal Medicaid funding lost in fiscal years 2026 and 2027 as a result of federal policy changes (laws or administrative actions). The amount of funding loss must be estimated relative to the amounts estimated in the February 2025 forecast. Requires MMB to certify an estimate of the funding lost to DOR no later than December 31, 2025.</p>



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