

Subject Fifth tier of the individual income tax established and LGA and CPA appropriations increased

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Date April 28, 2026

Overview

H.F. 4845 establishes a fifth tier of the individual income tax at a rate of 10.85 percent. The rate would apply to Minnesota taxable income in excess of \$1,000,000 for married joint returns, \$600,000 for single returns, and \$800,000 for head of household returns. The bill also increases the local government aid (LGA) and county program aid (CPA) appropriations by \$155,500,000 each, beginning with aids payable in 2026.

Summary

Section	Description
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| 1 | <p>Schedules of rates for individuals, estates, and trusts.</p> <p>Establishes a fifth tier of the individual income tax beginning at \$1,000,000 of taxable income for married joint filers, \$600,000 for single taxpayers, and \$800,000 for head of household filers. The rate on taxable income above those amounts would be 10.85 percent, an increase of 1.0 percent relative to the current rate of 9.85 percent.</p> <p>The bill text also rebases the other brackets based on inflationary adjustments under current law. Those changes are technical and reflect the current law numbers for tax year 2026.</p> <p>Effective for tax year 2026 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>Cities.</p> <p>Increases the annual LGA appropriation by \$155,500,000, increasing the aid amount from \$644,398,012 to \$799,898,012.</p> <p>Effective for aids payable in 2026 and thereafter.</p>
4	<p>Counties.</p> <p>Increases the annual CPA appropriation by \$155,500,000, increasing the aid amount from \$341,668,444 to \$497,168,444.</p> <p>Effective for aids payable in 2026 and thereafter.</p>
5	<p>Aid recertification.</p> <p>Requires the commissioner of revenue to recertify LGA in CPA for aids payable in 2026, using the increased aid amounts under sections three and four.</p> <p>Effective the day following final enactment.</p>



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