

## **2017 Supplement to the Minnesota Tax Handbook**

This supplement to the 2016 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in 2017. The page references are to the 2016 Edition. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2018, and state tax collections for fiscal year 2017.

The 2016 Edition of the Minnesota Tax Handbook can be found on the Department of Revenue web site at [www.revenue.state.mn.us/research\\_stats/Pages/Tax\\_Handbooks.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Tax_Handbooks.aspx)

Minnesota Department of Revenue  
Tax Research Division  
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### **History of Major Changes**

#### **STATE TAXES**

##### **Individual Income Tax, Page 8**

- 2017 – Subtraction for social security income enacted, up to \$4,500 for married joint filers, \$2,250 for married separate, and \$3,500 for other filers; phased out with income.
- Student loan credit enacted, equal to student loan payments in excess of 10% of income over \$10,000, up to \$500.
  - Child and dependent care credit modified to conform to federal credit except that it is refundable, with phase-out for income over \$50,000.
  - Refundable credit enacted for taxes paid to Wisconsin.
  - Credit and subtraction enacted for contributions to a Section 529 college savings plan.
  - Credit enacted for teacher completing a master's degree in a core content area.
  - Credit enacted for sale or rental of agricultural assets to beginning farmers.
  - Credit enacted equal to the cost of participating in a beginning farmer financial management program, up to \$1,500 per year for three years.
  - Greater Minnesota internship credit repealed.

##### **Corporate Franchise Tax, Page 14**

- 2017 – Research and development credit modified to increase the 2<sup>nd</sup> tier rate to 4%.

**Estate Tax, Page 16**

2017 – Exclusion increased to \$3 million and small business and farm subtraction reduced to \$2 million; phased in over four years.

**General Sales and Use Tax, Page 21**

2017 – Exemption for telecommunications equipment expanded to include fiber and conduit.  
– Exemption enacted for vending machine sales of certain food items.  
– Exemption enacted for bullion.  
– Exemption enacted for purchases of music for jukeboxes.

**Motor Fuels Excise Taxes, Page 25**

2017 – CNG rate adjusted to \$2.25 per thousand cubic feet.

**Alcoholic Beverage Taxes, Page 27**

2017 – Winery tax credit enacted.

**Cigarette Taxes, Page 29**

2017 – Index on tax rate repealed.

**Tobacco Products Tax, Page 31**

2017 – Maximum tax on premium cigars reduced to 50¢ per cigar.

**State General Property Tax, Page 46**

2017 – Exemption enacted for commercial, industrial, and utility property for market value under \$100,000.  
– Levy reduced for commercial-industrial property.  
– Levy frozen for both commercial-industrial property and seasonal recreational property.

**LOCAL TAXES****General Property Tax, Page 62**

2017 – School building bond credit enacted.  
– Class rate reduced for congressionally-chartered veterans organizations.  
– Exemption for agricultural containment facilities repealed.

**Rates of Major State Taxes  
As of January 1, 2018**

**Individual Income Tax: Tax Year 2018  
Rates and Taxable Income Brackets\***

Filing Status	5.35% up to	7.05%	7.85%	9.85% over
MJ	\$37,850	\$37,851- \$150,380	\$150,381- \$266,700	\$266,700
MS	\$18,930	\$18,931- \$75,190	\$75,191- \$133,350	\$133,350
S	\$25,890	\$25,891- \$85,060	\$85,061- \$160,020	\$160,020
HH	\$31,880	\$31,881- \$128,090	\$128,091- \$213,360	\$213,360

**Corporate Franchise Tax:** 9.8%

**General Sales and Use Tax:** 6.875%

**Liquor Gross Receipts Tax:** 2.5%

**Motor Vehicle Rental Tax:** 9.2%

**Motor Vehicle Rental Fee:** 5%

**Motor Vehicle Sales Tax:** 6.5%

**Highway Fuels Excise Taxes:** 28.5¢ per gallon

**Alcoholic Beverage Taxes**

Distilled spirits:	\$5.03 per gallon
Beer: more than 3.2% alcohol	\$4.60 per barrel
3.2% or less:	\$2.40 per barrel
Wine:	\$0.30 - \$3.52 per gallon

**Cigarette Tax:** \$3.04 per pack of 20 cigarettes

**Tobacco Products Tax:** 95% of wholesale price

**Mortgage Registry Tax:** 0.23% of principal debt

**Deed Transfer Tax:** 0.33% of consideration

**MinnesotaCare Taxes:** 2% of gross revenues for health care providers, hospitals, surgical centers, and wholesale drug distributors.

**Motor Vehicle Registration Tax:** \$10 plus 1.25% of base value based on age for passenger cars, pickup trucks, and vans. Trucks, tractors, and buses based on type, weight, and age of the vehicle.

**State General Property Tax:** for taxes payable in 2018, 43.865% of the net tax capacity for commercial and industrial property; 20.779% for seasonal recreational property.

**Class Rates for Major Classes of Property for 2018**

<u>Class and Type of Property</u>	<u>Net Class Rate</u>
1a Residential homestead	
First \$500,000 market value (MV)	1.0%
Over \$500,000 MV	1.25%
1b Homestead of blind or disabled	
First \$50,000 MV	0.45%
Excess is Class 1a or 2a	
1c Homestead resorts	
First \$600,000 MV	0.5%
Next \$1,700,000 MV	1.0%
Over \$2,300,000 MV	1.25% <sup>b</sup>
1d Seasonal farm worker housing - same as Class 1a	
2a Agricultural homestead	
House, garage, and one acre - same as Class 1a	
Remaining land and buildings	
First \$1,940,000 MV	0.5% <sup>a</sup>
Over \$1,940,000 MV	1.0% <sup>a</sup>
Nonhomestead agricultural land	1.0% <sup>a</sup>
2b Rural vacant land	1.0%
2c Managed forest land	0.65% <sup>a</sup>
2d Private airport	1.0% <sup>a</sup>
2e Unmined commercial aggregate deposit land	1.0% <sup>a</sup>
3a Commercial and industrial, utility real property	
First \$100,000 MV	1.5% <sup>b</sup>
Next \$50,000 MV	1.5% <sup>b</sup>
Over \$150,000 MV	2.0% <sup>b</sup>
Public utility machinery	2.0% <sup>b</sup>
4a Apartments, 4 or more units; private hospitals	1.25%
4b Residential or farm nonhomestead, 2-3 units; manufactured homes	1.25%
4bb Residential or farm nonhomestead, 1 unit – same as Class 1a	
4c Commercial seasonal recreational residential – same as Class 1a <sup>b</sup>	
Nonprofit community service organization	1.5% <sup>b</sup>
Post-secondary student housing	1.0% <sup>a</sup>
Manufactured home parks	1.25%
Noncommercial seasonal recreational residential – Same as Class 1a <sup>a, b</sup>	
Qualifying golf courses	1.25%
Congressionally-chartered veterans organization	1.0% <sup>b</sup>
4d Low-income rental housing	
First \$121,000 MV	0.75%
Over \$121,000 MV	0.25%
5 Unmined iron ore and low-grade iron ore	2.0% <sup>b</sup>
All other property	2.0%

<sup>a</sup>Exempt from school district referendum levies.

<sup>b</sup>Subject to state general property tax, except for electric generating public utility machinery and certain nonprofit community service organizations.

**Minnesota State Tax Collections Fiscal Year 2017  
All Funds - Net After Refunds**

	<b><u>FY 2017 Collections</u></b>	
	<b>Amount</b>	<b>% of</b>
	<b>(000's)</b>	<b>Total</b>
Individual Income Tax	\$10,931,165	45.70%
Corporate Franchise Tax	1,205,379	5.04
Estate Tax	128,834	0.54
General Sales & Use Tax	5,680,554	23.75
Liquor Gross Receipts Tax	90,332	0.38
Motor Vehicle Rental Tax	25,966	0.11
Motor Vehicle Rental Fee	0	0.00
Motor Vehicle Sales Tax	755,190	3.16
Motor Fuels Excise Taxes	910,641	3.81
Alcoholic Beverage Taxes	88,947	0.37
Cigarette Taxes	593,163	2.48
Tobacco Products Taxes	98,166	0.41
Mortgage Registry Tax	126,258	0.53
Deed Transfer Tax	118,593	0.50
Lawful Gambling Taxes	64,082	0.27
Pari-mutuel Tax	863	*
Insurance Premiums Taxes	484,229	2.02
Health Care Surcharges	285,430	1.19
MinnesotaCare Taxes	613,550	2.57
Mining Occupation Taxes	7,489	0.03
State Property Tax	858,390	3.59
Contamination Tax	189	*
Motor Vehicle Registration Tax	752,676	3.15
Airflight Property Tax	7,006	0.03
Aircraft Registration Tax	4,202	0.02
Rural Electric Co-ops	54	*
Solid Waste Management Taxes	79,641	0.33
Metropolitan Landfill Fee	3,820	0.02
<b>Total</b>	<b>\$23,914,809</b>	<b>100.00%</b>

\* Less than .005%