

## **Supplement to the 2018 Minnesota Tax Handbook**

This supplement to the 2018 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in 2019. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2020, and state tax collections for fiscal year 2019.

The Minnesota Tax Handbook can be found on the Department of Revenue web site at:

<https://www.revenue.state.mn.us/minnesota-tax-handbooks>

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Tax Research Division  
February 2020

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### **History of Major Changes**

#### **STATE TAXES**

##### **Individual Income Tax • Page 9**

- 2019 – Adopted most federal changes made by the Tax Cuts and Jobs Act and other federal legislation.
  - Changed the starting point for calculating Minnesota taxable income from federal taxable income to federal adjusted gross income.
  - Adopted the Chained Consumer Price Index as the measure of inflation for indexing all income tax provisions.
  - Created a Minnesota standard deduction equal to \$24,400 for married joint filers, \$18,350 for head of household filers, and \$12,200 for all others in 2019, indexed for inflation and phased out with income.
  - Established Minnesota itemized deductions.
  - Established a Minnesota dependent exemption of \$4,250 in 2019, indexed for inflation and phased out with income.
  - 2<sup>nd</sup> income tax rate reduced from 7.05% to 6.8% and 4<sup>th</sup> income tax bracket lowered to partially offset the rate reduction.
  - Maximum Social Security subtraction increased; phase-out thresholds decreased.
  - Working family credit expanded; new tier established for taxpayers with three or more children.
  - Angel investment credit extended for tax years 2019 and 2021, with a maximum of \$10 million per year.
  - Subtraction enacted for expenses incurred in producing medical cannabis.

**Corporate Franchise Tax • Page 15**

- 2019 – Adopted federal changes made by the Tax Cuts and Jobs Act, except for the treatment of international income.
- Adopted the Chained Consumer Price Index as the measure of inflation for indexing the minimum fee.
- Limited the net operating loss (NOL) deduction to 80% of taxable net income, effective retroactively beginning with tax year 2018.

**Estate Tax • Page 17**

- 2019 – Expanded definition of qualifying property for the small business and farm property subtraction.

**General Sales and Use Tax • Page 22**

- 2019 – Exemption enacted for county agricultural societies
- June accelerated payment increased from 81.4% to 87.5% for calendar year 2020 and 2021 payments; decreased from 87.5% to 84.5% for calendar year 2022 and later.
- Exemption enacted for purchases of certain herbicides.

**MinnesotaCare Tax on Health Care Providers, Hospitals, and Surgical Centers • Page 43**

- 2019 – Repealed provider tax sunset; rate reduced to 1.8%.

**State General Property Tax • Page 47**

- 2019 – Levy reduced for both commercial-industrial property and seasonal recreational property.

**LOCAL TAXES****General Property Tax • Page 63**

- 2019 – School building bond credit increased.

**Minnesota State Tax Collections Fiscal Year 2019**  
**All Funds—Net After Refunds**

	<b><u>FY 2019 Collections</u></b>	
		<b>% of Total</b>
Individual Income Tax	\$12,405,417,000	46.50%
Corporate Franchise Tax	1,660,014,000	6.22%
Estate Tax	224,996,000	0.84%
General Sales & Use Tax	6,213,776,000	23.29%
Liquor Gross Receipts Tax	97,716,000	0.37%
Motor Vehicle Rental Tax	28,108,000	0.11%
Motor Vehicle Rental Fee	1,492,000	0.01%
Motor Vehicle Sales Tax	809,852,000	3.04%
Motor Fuel Excise Taxes	942,785,000	3.53%
Alcoholic Beverage Taxes	93,553,000	0.35%
Cigarette Taxes	520,519,000	1.95%
Tobacco Products Taxes	116,666,000	0.44%
Mortgage Registry Tax	117,078,000	0.44%
Deed Transfer Tax	131,697,000	0.49%
Lawful Gambling Taxes	89,106,000	0.33%
Pari-Mutuel Tax	1,226,000	*
Insurance Premiums Taxes	518,996,000	1.95%
Health Care Surcharges	292,014,000	1.09%
MinnesotaCare Taxes	675,935,000	2.53%
Mining Occupation Taxes	20,325,000	0.08%
State Property Tax	810,626,000	3.04%
Contamination Tax	423,000	*
Motor Vehicle Registration Tax	803,734,000	3.01%
Air-Flight Property Tax	7,026,000	0.03%
Aircraft Registration Tax	3,273,000	0.01%
Rural Electric Co-Ops	51,000	*
Solid Waste Management Taxes	88,279,000	0.33%
Metropolitan Landfill Fee	4,072,000	0.02%
<b>Total</b>	<b>26,678,755,000</b>	<b>100.00%</b>

\* Less than 0.005%

## Rates of Major State Taxes as of January 1, 2020

### Individual Income Tax:

#### Tax Year 2020 Rates and Taxable Income Brackets\*

	5.35% Up To	6.8%	7.85%	9.85% Over
MJ	\$39,410	\$39,411–\$156,570	\$156,571–\$273,470	\$273,470
MS	19,705	19,706–78,285	78,286–136,735	136,735
HH	33,190	33,191–133,360	133,361–218,540	218,540
S	26,960	26,961–88,550	88,551–164,400	164,400

<b>Corporate Franchise Tax:</b>	9.8%
<b>General Sales and Use Tax:</b>	6.875%
<b>Liquor Gross Receipts Tax:</b>	2.5%
<b>Motor Vehicle Rental Tax:</b>	9.2%
<b>Motor Vehicle Rental Fee:</b>	5.0%
<b>Motor Vehicle Sales Tax:</b>	6.5%
<b>Highway Fuels Excise Taxes:</b>	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:** 1.8% 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 2020, 38.846% of the net tax capacity for commercial and industrial property; 17.997% for seasonal recreational property.

## Class Rates for Major Classes of Property for 2020

<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 \$1,880,000 MV	0.5% <sup>a</sup>
Over \$1,880,000 MV	1.0% <sup>a</sup>
Non-homestead 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%
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 non-homestead, 2-3 units; manufactured homes	1.25%
4bb Residential or farm non-homestead, 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 \$150,000 MV	0.75%
Over \$150,000 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.