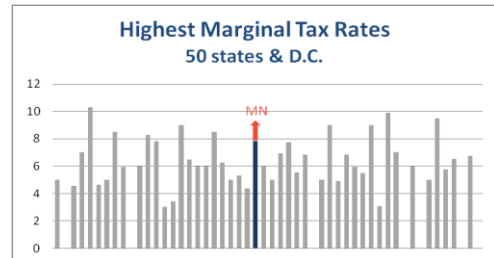


Don't Raise Minnesota's Personal Income Tax

Minnesota's income tax burden is already high

- Minnesota's **total** per capita state & local tax burden was the 14th highest in 2006 – down from 6th in 1999.^{MTA}
- But Minnesota's per capita **personal income tax** burden barely budged – falling from 4th highest in 1999 to 6th in 2006.^{MTA}
- Minnesota's **top** income tax rate – 7.85% paid by single filers with taxable incomes above \$74,650 – is the 10th highest in the U.S.^{TF}
- Minnesota's **middle** income tax rate – 7.05% paid by single filers earning \$22,730-\$74,650 – is higher than the top rate in 38 states.^{TF}
- Even Minnesota's **lowest** income tax rate is high. Single filers in Minnesota – taxable incomes under \$22,730 pay a 5.35% tax rate – higher than the top tax rates in 19 states, including seven states with no personal income tax.^{TF}

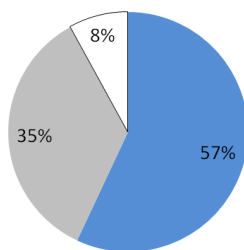


At 7.85%, Minnesota has the 10th highest marginal income tax rate in the nation. Raise it to 9.5% and we'd be tied for 3rd. Source: Tax Foundation

High-income families pay a disproportionate share of taxes

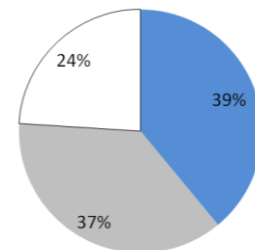
- Minnesota's state and local tax structure is slightly regressive, meaning people with higher incomes have a slightly lower effective tax rate than middle- or lower-income Minnesotans.^{TIS}
- However, because of Minnesota's heavy reliance on individual income taxes, our overall tax structure is less regressive than all but 10 states – including all of our neighboring states.^{TIS}
- Meanwhile, the top 10% of Minnesota households – those with annual incomes exceeding \$124,000 – pay the majority (57%) of the income taxes and 39% of all state and local taxes.^{TIS}

Percent of Income Taxes Paid



- **Top 10%**
244,000 households
Incomes above \$124,000
- **Next 30%**
735,000 households
Incomes \$51,500 - \$124,000
- **Remaining 60%**
1.5 million households
Incomes up to \$51,500

Percent of Total Taxes Paid



- *Rather than raise Minnesota's already high income taxes, lawmakers interested in making our tax structure less regressive can also make our state more competitive by reducing business taxes, which are among the most regressive taxes.*^{TIS}

Raising Minnesota's top income tax rate would be counterproductive

- Minnesota has 94,000 companies with fewer than 10 employees and another 188,000 self-employed people.^{USCB} A majority of them report business income as personal income. Raising the top bracket would hurt small businesses and their employees by eating into operating funds, profits and long-term investment capital.
- Minnesota is home to more than 2,400 large companies with 500 employees or more, including 19 Fortune 500 companies, providing tens of thousands of high-paying jobs.^{USCB} Raising the top income tax rate would discourage large employers with operations across the country and around the world from locating high-skilled, high-paying positions in Minnesota by making them more expensive.

On the move: People in, money out



1995 - 2000: While 100,000 more people moved into Minnesota than moved out, Minnesota lost income due to migration.^{MSDC}

\$100,000+: Among movers, those who left the state “had the highest median household income and per capita income and the highest proportion of households with incomes of \$100,000 or more.”^{MSDC}

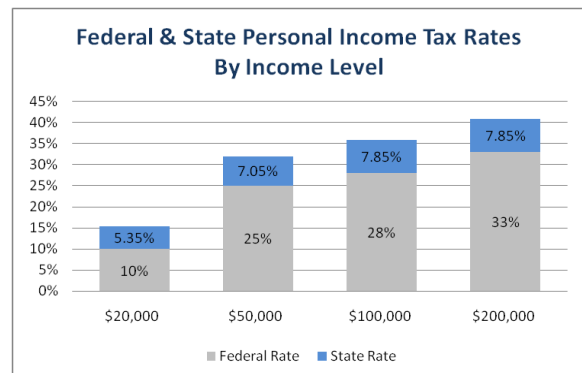
Not snow birds: Only 6% of those who left Minnesota were retirees.^{MSDC}

Replacing lost revenue is difficult

12 to 1: Minnesota would have to attract 12 new households earning \$31,000 to \$40,000 a year to replace the taxes* paid by one household in the top 10% of income leaving the state.^{MBP/TIS}

18 to 1: Minnesota would have to attract 18 new households earning \$31,000 to \$40,000 a year to replace the taxes* paid by one household in the top 5% of income leaving the state.^{MBP/TIS}

49 to 1: Minnesota would have to attract 49 new households earning \$31,000 to \$40,000 a year to replace the taxes* paid by one household in the top 1% leaving the state.^{MBP/TIS}



Minnesota's high individual income tax rates are piled on top of highly progressive federal income taxes.

65 to 1: If just one of Minnesota's roughly 6,000 households earning \$1 million or more leaves the state, Minnesota has to attract 65 households earning between \$48,000 and \$66,000 to replace the lost tax revenue.^{MBP/TIS}

*Individual income and sales taxes.

Sources:

^{MTA} Minnesota Taxpayers Association “50 State Property Tax Comparison,” 2006 & 2007

^{TF} Tax Foundation, State income tax rates as of January 2009

^{TIS} “2009 Minnesota Tax Incidence Study”

^{USCB} U.S. Census Bureau

^{MSDC} Minnesota State Demographic Center, October 2004 “Population Notes”

^{MBP/TIS} Minnesota Business Partnership analysis of “2009 Minnesota Tax Incidence Study”