



Sound tax policy. Efficient spending. Accountable government.

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PRESS RELEASE

Minnesota's income tax system among nation's most progressive

Unique study compares income tax burdens among different income levels and filing statuses in every state with an income tax and the District of Columbia

SAINT PAUL, MN, March 27, 2013: While many upper-income Minnesotans pay some of the highest taxes in the nation, low-income families in the state have among the lowest income tax burdens, according to the *Comparison of Individual Income Tax Burdens by State*, published by the Minnesota Center for Fiscal Excellence (MCFE).

“Minnesota’s income tax is under a lot of scrutiny. This study provides some important information and perspective relevant to ongoing policy debates,” notes Mark Haveman, Executive Director of the MCFE. “Tax fairness, for example, is an important issue getting a lot of attention. But this study finds that Minnesota’s income tax system is already a national leader in addressing ability-to-pay issues.”

The *Comparison of Individual Income Tax Burdens by State*, which calculates income tax burdens of taxpayers in the 41 states that have an individual income tax and the District of Columbia, offers a wealth of information for policymakers in Minnesota and around the country. Some findings relevant to Minnesota include:

- Minnesota senior citizens with household incomes of \$75,000 or more pay among the highest income taxes among retirees in the nation and substantially more than senior citizens in surrounding states.
- While low-income families in Minnesota and Wisconsin pay relatively low individual income taxes, similar families in Iowa pay comparatively high income taxes.
- Income tax burdens for middle- and upper-income families and individuals in Minnesota, Wisconsin and Iowa are above average.

This is the only study of its kind comparing individual income tax burdens for similar households with similar incomes across the country by calculating tax returns for the following combinations of filing statuses and income levels:

Filing statuses

- Single (non-senior, no dependents)
- Married-filing joint (non-senior, two dependents)
- Head of household (non-senior, one dependent)
- Senior married-filing-joint (no dependents)
- Senior single (no dependents)

Income levels

- \$10,000
- \$20,000
- \$35,000
- \$50,000
- \$75,000
- \$100,000
- \$150,000
- \$250,000

The report also includes tax burdens for married-joint filers with \$500,000 and \$1 million incomes.

“Other studies compare state income tax burdens on aggregate taxes paid per capita or per \$1,000 of personal income,” said Haveman. “This study provides a deeper, more detailed analysis of how state income tax burdens are spread among taxpayers and how those burdens compare for similar taxpayers in different states.”

The full report is available at www.fiscalexcellence.org.

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About the Minnesota Center for Fiscal Excellence

The MCFE, formerly the Minnesota Taxpayers Association, is a statewide, nonprofit organization, open to all, and representative of every category of taxpayer. For nearly 90 years, MCFE’s mission has been to educate and inform Minnesotans about sound fiscal policy, provide policy makers with objective, nonpartisan research about the impact of tax and spending policies, and advocate for the adoption of policies reflecting principles of fiscal excellence. For more information, visit www.fiscalexcellence.org

Comparison of 2010 Individual Income Tax Burdens by State

State and Local Income Tax Collections per \$1,000 of Personal Income (Fiscal year 2010)

	<u>Minnesota</u>		<u>Wisconsin</u>		<u>Iowa</u>		<u>North Dakota</u>	
	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>
Per \$1,000 of Personal Income	9	29.25	12	27.33	21	24.24	42	11.14

State and Local Income Tax Rank and Burdens by Filer Type and Income Level (Tax year 2010)

(Minnesota region. South Dakota does not levy an income tax.)

FILING STATUS	HOUSHD INCOME	<u>Minnesota</u>		<u>Wisconsin</u>		<u>Iowa</u>		<u>North Dakota</u>	
		<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>
Single	\$10,000	38	-\$54	25	\$0	10	\$130	23	\$6
Single	\$20,000	18	\$547	23	\$475	13	\$655	39	\$188
Single	\$35,000	21	\$1,367	10	\$1,506	12	\$1,488	42	\$458
Single	\$50,000	10	\$2,346	7	\$2,529	16	\$2,106	42	\$774
Single	\$75,000	12	\$3,579	11	\$3,621	21	\$3,182	42	\$1,337
Single	\$100,000	10	\$5,286	11	\$5,210	21	\$4,720	42	\$2,145
Single	\$150,000	9	\$9,054	14	\$8,355	17	\$8,062	42	\$3,891
Single	\$250,000	11	\$15,335	15	\$13,977	19	\$13,522	41	\$7,105
Married	\$10,000	37	-\$910	32	-\$510	26	-\$255	4	\$0
Married	\$20,000	42	-\$1,260	33	-\$173	3	\$297	15	\$0
Married	\$35,000	41	-\$524	25	\$236	10	\$880	28	\$149
Married	\$50,000	25	\$1,188	15	\$1,514	6	\$1,952	42	\$409
Married	\$75,000	19	\$2,628	7	\$2,970	10	\$2,943	42	\$833
Married	\$100,000	14	\$4,039	8	\$4,495	10	\$4,381	42	\$1,384
Married	\$150,000	15	\$6,927	12	\$7,266	14	\$6,937	42	\$2,498
Married	\$250,000	13	\$13,268	14	\$13,019	17	\$12,488	42	\$5,770
Married	\$500,000	12	\$31,348	16	\$28,961	21	\$26,985	40	\$15,730
Married	\$1,000,000	11	\$64,827	16	\$58,417	22	\$54,763	38	\$35,543
HHouse	\$10,000	38	-\$762	26	-\$122	30	-\$214	7	\$0
HHouse	\$20,000	40	-\$715	15	\$237	14	\$251	22	\$68
HHouse	\$35,000	24	\$910	6	\$1,428	10	\$1,363	39	\$340
HHouse	\$50,000	24	\$1,815	5	\$2,476	10	\$2,216	42	\$598
HHouse	\$75,000	12	\$3,458	7	\$3,772	9	\$3,571	42	\$1,143
HHouse	\$100,000	12	\$4,670	7	\$5,097	13	\$4,668	42	\$1,743
HHouse	\$150,000	13	\$7,797	11	\$7,966	12	\$7,836	42	\$3,203
HHouse	\$250,000	11	\$14,283	14	\$13,671	17	\$13,113	42	\$6,322
Sr-Married	\$10,000	3	\$0	3	\$0	3	\$0	3	\$0
Sr-Married	\$20,000	3	\$0	3	\$0	3	\$0	3	\$0
Sr-Married	\$35,000	6	\$0	6	\$0	6	\$0	6	\$0
Sr-Married	\$50,000	13	\$298	11	\$301	30	\$0	26	\$103
Sr-Married	\$75,000	2	\$2,759	10	\$1,963	26	\$1,118	30	\$868
Sr-Married	\$100,000	1	\$4,294	7	\$3,226	24	\$1,718	26	\$1,488
Sr-Married	\$150,000	1	\$7,620	12	\$6,055	27	\$4,072	37	\$2,998
Sr-Married	\$250,000	1	\$14,350	17	\$11,458	26	\$9,634	38	\$6,154
Sr-Single	\$10,000	3	\$0	3	\$0	3	\$0	3	\$0
Sr-Single	\$20,000	6	\$0	6	\$0	6	\$0	6	\$0
Sr-Single	\$35,000	9	\$533	10	\$464	22	\$316	29	\$183
Sr-Single	\$50,000	2	\$1,934	9	\$1,343	29	\$746	34	\$595
Sr-Single	\$75,000	1	\$3,602	14	\$2,557	27	\$1,680	34	\$1,356
Sr-Single	\$100,000	1	\$4,844	11	\$3,938	25	\$2,964	37	\$1,893
Sr-Single	\$150,000	1	\$8,140	15	\$6,643	22	\$5,662	39	\$3,379
Sr-Single	\$250,000	7	\$13,915	16	\$11,912	18	\$11,739	40	\$6,099

Ten Most Progressive State Income Tax Systems, Measured by Comparing Effective Tax Rates at Selected Higher Incomes and \$35,000 for Married-Joint Returns, Tax Year 2010

Married Filing Joint Returns							
\$150,000 vs. \$35,000		\$250,000 vs. \$35,000		\$500,000 vs. \$35,000		\$1,000,000 vs. \$35,000	
Most Progressive Income Tax States	Tax Rate Gap*	Most Progressive Income Tax States	Tax Rate Gap*	Most Progressive Income Tax States	Tax Rate Gap*	Most Progressive Income Tax States	Tax Rate Gap*
1. New York	7.3%	1. New York	7.3%	1. New York	8.5%	1. New York	9.8%
2. Minnesota	6.1%	2. Minnesota	6.8%	2. Minnesota	7.8%	2. Minnesota	8.0%
3. Maryland	5.4%	3. Maryland	6.1%	3. Vermont	7.3%	3. California	7.8%
4. Idaho	4.9%	4. Vermont	5.7%	4. California	7.2%	4. Vermont	7.7%
5. Maine	4.9%	5. Maine	5.4%	5. Maryland	6.8%	5. Maryland	7.0%
6. Vermont	4.8%	6. Idaho	5.4%	6. Nebraska	6.5%	6. D.C.	6.6%
7. D.C.	4.6%	7. California	5.3%	7. D.C.	6.4%	7. New Jersey	6.5%
8. South Carolina	4.3%	8. D.C.	5.2%	8. Maine	6.3%	8. Maine	6.4%
9. Nebraska	4.2%	9. Nebraska	5.0%	9. Idaho	6.2%	9. Idaho	6.3%
10. Kansas	4.2%	10. South Carolina	4.7%	10. Rhode Island	5.8%	10. Nebraska	5.7%

* "Tax Rate Gap" refers to the difference between a filer's effective tax rate (ETR) at \$35,000 versus the ETR at the higher income examples shown. For example, Minnesota's ETR for married-filing-joint returns at \$35,000 is -1.5%, and at \$150,000, it is 4.6%. The gap of 6.1% is calculated as \$150,000 ETR (4.6%) minus \$35,000 ETR (-1.5%).