



Comparison of Individual Income Tax Burdens by State

2013 Edition

Summary of Minnesota Results

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Summary of Minnesota Results

Background

Comparison of Individual Income Tax Burdens by State calculates income tax burdens of taxpayers in the 41 states and the District of Columbia that have an individual income tax. It compares 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 status

- 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 taxes at \$500,000 and \$1,000,000 of income for married-joint filers only.

Compared to reports on aggregate income tax collections by state, this analysis provides a more detailed perspective on the structure of income taxation at the state level and how state and local income taxes impact individuals and households with similar incomes differently across the nation. For example, the table below compares the top ten highest aggregate statewide income tax collections per \$1,000 of income for fiscal year 2010 with their rankings in three filer examples from this study.

State	Rankings (of 42)			
	Statewide income taxes per \$1,000 of income	Married-Joint, \$35,000 Household Income	Single, \$50,000 Household Income	Married-Joint, \$250,000 Household Income
New York	1	42	9	12
Oregon	2	2	1	1
Maryland	3	35	2	3
Massachusetts	4	21	15	24
Kentucky	5	1	4	8
Connecticut	6	27	23	23
California	7	32	34	10
Ohio	8	5	11	4
Minnesota	9	41	10	13
North Carolina	10	11	5	5

Minnesota Findings

Table 1 on the next page summarizes our results for Minnesota. Ranks range from #1 (six times, all for senior-filers) to 42nd (once, for married-joint filers at \$20,000 of household income). Minnesotans generally bear higher income tax burdens on average than other taxpayers across the nation; and the higher a Minnesota family's household income is, the more it tends to pay in income taxes relative to national averages.

Comparison of Individual Income Tax Burdens by State

Table 1: Minnesota Results: Ranks, Net Taxes, and Taxes Relative to U.S. Average

FILING STATUS	INCOME	Rank	Net Tax	% Above (Below) US Average
Single	\$10,000	38	-\$54	NA
Single	\$20,000	18	\$547	2.2%
Single	\$35,000	21	\$1,367	2.9%
Single	\$50,000	10	\$2,346	16.6%
Single	\$75,000	12	\$3,579	16.0%
Single	\$100,000	10	\$5,286	16.7%
Single	\$150,000	9	\$9,054	20.7%
Single	\$250,000	11	\$15,335	20.6%
Married	\$10,000	37	-\$910	*
Married	\$20,000	42	-\$1,260	*
Married	\$35,000	41	-\$524	NA
Married	\$50,000	25	\$1,188	-12.9%
Married	\$75,000	19	\$2,628	6.6%
Married	\$100,000	14	\$4,039	9.4%
Married	\$150,000	15	\$6,927	11.1%
Married	\$250,000	13	\$13,268	15.6%
Married	\$500,000	12	\$31,348	18.7%
Married	\$1,000,000	11	\$64,827	20.4%
Head of Household	\$10,000	38	-\$762	*
Head of Household	\$20,000	40	-\$715	NA
Head of Household	\$35,000	24	\$910	-10.2%
Head of Household	\$50,000	24	\$1,815	0.6%
Head of Household	\$75,000	12	\$3,458	15.8%
Head of Household	\$100,000	12	\$4,670	14.5%
Head of Household	\$150,000	13	\$7,797	14.9%
Head of Household	\$250,000	11	\$14,283	19.1%
Senior-Married	\$10,000	3	\$0	*
Senior-Married	\$20,000	3	\$0	*
Senior-Married	\$35,000	6	\$0	*
Senior-Married	\$50,000	13	\$298	36.6%
Senior-Married	\$75,000	2	\$2,759	103.6%
Senior-Married	\$100,000	1	\$4,294	102.8%
Senior-Married	\$150,000	1	\$7,620	58.8%
Senior-Married	\$250,000	1	\$14,350	41.9%
Senior-Single	\$10,000	3	\$0	*
Senior-Single	\$20,000	6	\$0	*
Senior-Single	\$35,000	9	\$533	59.4%
Senior-Single	\$50,000	2	\$1,934	96.6%
Senior-Single	\$75,000	1	\$3,602	75.5%
Senior-Single	\$100,000	1	\$4,844	52.6%
Senior-Single	\$150,000	1	\$8,140	44.3%
Senior-Single	\$250,000	7	\$13,915	31.8%

* Not shown where U.S. average taxes are \$50 or less because comparisons to national averages could be misleading.
NA: Not applicable, since average tax is negative largely due to state earned income tax credit program benefits.

Summary of Minnesota Results

Measure of Structural Progressivity

Income taxes are generally among the most progressive taxes, with the tax rate increasing as income rises. This study measures the progressivity of tax structures by comparing income tax rates that filers at different income levels pay. Table 2 shows the states with the biggest differentials between the effective tax rates for married-joint filers at \$35,000 of household income (about 15% higher than what two income-earners in Minnesota working 40 hours a week at the federal minimum wage would earn in a year) and at the four highest income levels we include in the report. Minnesota ranks second across the board in this comparison.

Table 2: 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 the state's effective tax rate (ETR) at \$35,000 versus the ETR at the higher income examples shown. For example, Maryland's ETR for married-filing-joint returns at \$35,000 is 0.0%, and at \$150,000, it is 5.4%. The gap of 5.4% is calculated as \$150,000 ETR (5.4%) minus \$35,000 ETR (0.0%).

About the Study

This is the sixth Comparison of Individual Income Tax Burdens by State, with the previous editions covering tax years 1997, 1999, 2003, 2006 and 2008. We use data from state and federal government sources to determine how the income at these various levels is derived (i.e., how much comes from wages/salaries, dividends, business income, etc.) and the amount of applicable itemized deductions. Because creating this data is a labor-intensive, time-consuming process, 2010 is the most recent year for which this type of analysis is available.

While this is the sixth individual income tax comparison, it represents a complete revision from the previous studies. Minnesota-specific data about income and itemized deductions was provided for this study by the Minnesota Department of Revenue's Research Division using the database created for its 2013 Minnesota Tax Incidence Study. That data was adjusted by MCFE on a state-by-state basis to more accurately determine the actual tax paid in each state.

This report uses the National Bureau of Economic Research's TAXSIM Version 9.0 income tax simulator (available at <http://users.nber.org/~taxsim/taxsim-calc9/index.html>) to calculate the various state-level tax liabilities. Where applicable, MCFE calculated local income tax amounts.