

Tax Incidence Analysis

Prepared by the Tax Research Division, Minnesota Department of Revenue

April 23, 2019

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| <p style="text-align: center;">Governor's 2019 Tax Proposals Tax Bill (H.F.2125), Transportation Finance Bill (H.F.1555), and Health & Human Services Finance Bill (H.F.2414)</p> |
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The Governor's 2019 Budget proposes the following tax law changes:

Governor's Tax Bill

- **Income Tax -- Personal**
 - Start tax calculations with Federal Adjusted Gross Income rather than Federal Taxable Income. Minnesota will maintain the standard deduction, itemized deductions, and personal and dependent exemptions from prior law. Increase the Working Family Credit for those with three or more children.
 - Increase the Working Family Credit for all recipients by \$100 (\$200 for married filing jointly).
 - Increase the Social Security Subtraction.
- **Estate Tax:** Maintain the exclusion at \$2.7 million rather than allowing it to rise to \$3 million.
- **Sales Tax:**
 - Limit the existing sales tax exemptions for data centers.
 - Clarify collection requirements for online marketplace providers.
- **Cigarette and Tobacco Taxes:** Restore indexing of the cigarette tax rate for inflation and the prior-law tax rates on premium cigars.
- **Property Taxes:**
 - Restore indexing of the state property tax levy for inflation.
 - Create a new buffer credit for agricultural land.
 - Increase aids to cities and counties.
 - This estimate also includes three property tax proposals included in other bills: Levy authority for Soil and Water Conservation Districts, Met Council Bond levy authority, and school safety levy changes.
- **Taxes on Business (Corporate and Non-corporate):**
 - Conform to most federal tax changes in the definition of the income. Conform to Federal Global Intangible Low Tax Income provision and treat the income as a deemed dividend with no dividend received deduction. Fully conform to Section 179 expensing.
 - Repeal the corporate Alternative Minimum Tax and create an 80% Net Operating Loss limitation.
 - Three Minnesota-specific provisions that expand the corporate tax base.

Governor's Transportation Bill

- **Motor Fuels Excise Tax:** Increase 20 cents over two years and indexing.
- **Registration Tax:** Increase base fee and rate and modify depreciation schedule.
- **Motor Vehicle Sales Tax:** Increase from 6.5 percent to 6.876 percent.
- **Sales Tax:** Implement 1/8 cent sales tax in 7-county metropolitan area.

Governor's Health & Human Services Bill

- Repeal the sunset of the MinnesotaCare provider taxes, permanently maintaining the tax at its current 2% rate beyond December 31, 2019.

These tax law changes would modify the burden of state and local taxes compared to what it would be under current law. The budget's impact can be estimated using the database and underlying models developed for the *Minnesota Tax Incidence Study*. **Because the latest study projects income and taxes to calendar year 2021, this analysis generally estimates the impact of law changes in that calendar year.**

The analysis is limited to **permanent** changes in tax law. **Law changes that are phased in over several years (such as the motor fuels excise tax) or have a delayed effective date are modeled as if fully effective in 2021.**

Impact of Proposals on Minnesota State & Local Tax Burdens on Minnesota Residents

GOVERNOR'S TAX BILL: The mix of tax cuts and tax increases in the Governor's Tax Bill increases the net tax burden on Minnesota residents by **\$336.4 million**.

- **Income Tax Changes (nonbusiness):** Proposed changes in income tax provisions would reduce tax revenue by \$64.6 million, reducing the tax burden on Minnesota residents by **\$64.1 million**.
- **Income Tax Changes on Non-Corporate Businesses** (sole proprietors, S-corps, and partnerships): Conforming to most of the changes to the federal tax base will raise taxes on non-corporate business income by \$211.6 million, and **\$186.3 million** will be borne by Minnesota residents.
- **Corporate Tax Changes:** Corporate franchise tax revenue will increase by \$187.6 million. After full adjustment, some of the burden would be borne in higher prices, some in lower wages, and some in lower returns to business owners. Tax burdens for Minnesota residents would rise by an estimated **\$136.8 million** (about 73% of added revenue). The remainder would be borne by nonresidents or the federal government (in lower federal corporate tax revenue). These estimates apply to the long-term burden, after businesses have fully adjusted to the change in tax burdens.

- **Property Tax Changes:** State property taxes on business property and seasonal recreational property will rise by \$52.3 million. The net impact on Minnesota residents is estimated to be **\$31.1 million**. Homeowner property tax refunds will decrease, increasing resident tax burdens by **\$1.4 million**. Local property taxes will decrease by \$6.1 million. The net decrease on Minnesota residents is estimated to be \$4.2 million.
- **Sales and Excise Tax Changes:** Sales taxes will rise by \$29.4 million, increasing the tax burden on Minnesota residents by **\$27.1 million**. Cigarette and tobacco taxes will rise by \$12.5 million, with **\$12.1 million** falling on Minnesota residents.

GOVERNOR'S TRANSPORTATION BILL:

- **Sales and Excise Taxes:** Increases to the Motor Fuels Excise Tax will increase collections by \$638.5 million. The net impact on Minnesota residents is estimated to be **\$551.9 million**. The increase in the rate of the sales tax on motor vehicles will increase collections by \$53.7 million. The net impact on Minnesota residents is estimated to be **\$52.7 million**. The metropolitan area sales tax will raise \$72.0 million, with **\$62.7 million** paid by Minnesota residents.
- **Motor Vehicle Registration Tax:** Changes to the registration tax will increase collections by \$426.3 million. The net impact on Minnesota residents is estimated to be **\$416.5 million**.
- **Income Taxes:** The changes to the registration tax will increase income tax deductions, reducing Minnesota resident income taxes by **\$4.8 million**.

GOVERNOR'S HEALTH AND HUMAN SERVICES BILL:

- The full-year impact of the 2% provider taxes in calendar year 2021 is forecast to be \$751.8 million, of which **\$688.6 million** is borne by Minnesota residents.

Law Changes Not Included in this Analysis

- **Temporary changes** to the Angel Investment Credit, the sales tax on construction projects, and conformity to several small federal changes.
- **Timing changes** to the Historic Preservation Credit and in Minnesota's response to in the temporary extension of bonus depreciation.
- **Small change** to the Unrelated Business Income Tax.

COMBINED IMPACT OF THE GOVERNOR'S TAX, TRANSPORTATION, AND HEALTH AND HUMAN SERVICES BILLS

- The combined increase in tax collections from the Governor's budget proposal is estimated to be \$2.372 billion in 2021, of which **\$2.104 billion** is borne by Minnesota residents.

Results by Population Decile: Change in Minnesota State and Local Tax Burdens

Table 1 shows the changes in dollars of tax burden by decile.

- The average increase in total taxes paid is 6.52%. Increases are higher in the bottom five deciles, averaging 9.9%, than in the top five deciles, averaging 5.9%.
- Residents in the 10th decile will pay 27.6% of the proposed tax increases while those in the first decile will pay 2.8% of the proposed tax increases.

Table 1.
Dollars of Minnesota State and Local Tax Burden
Governor's 2019 Budget Bills
 Estimated Calendar Year 2021 Impact

| 2021 Population Decile | Income Range | Percent of All Households | Percent of All Income | Minnesota State and Local Tax Burden | | | | |
|---------------------------------|--------------------|---------------------------|-----------------------|--------------------------------------|-------------------------------|--------------------------------|---------------------------------------|---|
| | | | | Current Law Tax Burden (\$1000s) | Proposed Tax Burden (\$1000s) | Change in Tax Burden (\$1000s) | Decile's Share of Total Change in Tax | Percent Increase in Burden Over Prior Law |
| 1 | 14,528 & under | 10% | 0.9% | \$ 696,883 | \$ 756,634 | \$ 59,751 | 2.8% | 8.57% |
| 2 | 14,529 to 23,941 | 10% | 2.0% | 652,976 | 731,471 | 78,495 | 3.7% | 12.02% |
| 3 | 23,942 to 33,681 | 10% | 3.0% | 901,013 | 1,001,385 | 100,372 | 4.8% | 11.14% |
| 4 | 33,682 to 44,730 | 10% | 4.0% | 1,198,265 | 1,318,323 | 120,058 | 5.7% | 10.02% |
| 5 | 44,731 to 57,679 | 10% | 5.2% | 1,644,243 | 1,790,902 | 146,659 | 7.0% | 8.92% |
| 6 | 57,680 to 74,178 | 10% | 6.7% | 2,166,073 | 2,343,497 | 177,424 | 8.4% | 8.19% |
| 7 | 74,179 to 96,071 | 10% | 8.7% | 2,878,877 | 3,103,373 | 224,496 | 10.7% | 7.80% |
| 8 | 96,072 to 127,270 | 10% | 11.4% | 3,773,063 | 4,052,774 | 279,711 | 13.3% | 7.41% |
| 9 | 127,271 to 185,600 | 10% | 15.6% | 5,119,836 | 5,455,377 | 335,541 | 15.9% | 6.55% |
| 10 | 185,601 & over | 10% | 42.5% | 13,229,741 | 13,811,176 | 581,435 | 27.6% | 4.39% |
| ALL MINNESOTA HOUSEHOLDS | | 100% | 100.0% | \$32,260,968 | \$34,364,911 | \$ 2,103,943 | 100.0% | 6.52% |

Detail for the 10th Decile

| | | | | | | | | |
|-------------|--------------------|-----|-------|--------------|--------------|------------|-------|-------|
| Lower Half | 185,601 to 262,353 | 5% | 11.2% | 3,516,975 | 3,716,035 | 199,060 | 9.5% | 5.66% |
| Next 4% | 262,354 to 636,247 | 4% | 15.3% | 4,711,487 | 4,925,301 | 213,814 | 10.2% | 4.54% |
| Top 1% | 636,248 & over | 1% | 16.1% | 5,001,278 | 5,169,839 | 168,561 | 8.0% | 3.37% |
| Full Decile | 185,601 & over | 10% | 42.5% | \$13,229,741 | \$13,811,176 | \$ 581,435 | 27.6% | 4.39% |

Table 2 shows the change in tax burden by decile as a percent of income.

- Minnesota residents' state and local tax burden would increase by an average of 0.76% of income. The increased tax burden is largest for the lowest deciles and declines at higher income ranges. The burden for the top 1 percent of filers would increase by 0.38% of income.

Table 2.
Tax burden as Percent of Income
Impact of Tax Changes in Governor's Budget Bills
 Estimated Calendar Year 2021 Impact

| 2021 Population Decile | Income Range | Percent of All Households | Minnesota State and Local Tax Burden as Percent of Income | | |
|---------------------------------|--------------------|---------------------------|---|--------------|--------|
| | | | Current Law | Proposed Law | Change |
| 1 | 14,528 & under | 10% | 27.61% | 29.98% | 2.37% |
| 2 | 14,529 to 23,941 | 10% | 11.93% | 13.36% | 1.43% |
| 3 | 23,942 to 33,681 | 10% | 11.01% | 12.24% | 1.23% |
| 4 | 33,682 to 44,730 | 10% | 10.75% | 11.83% | 1.08% |
| 5 | 44,731 to 57,679 | 10% | 11.34% | 12.35% | 1.01% |
| 6 | 57,680 to 74,178 | 10% | 11.61% | 12.56% | 0.95% |
| 7 | 74,179 to 96,071 | 10% | 11.94% | 12.87% | 0.93% |
| 8 | 96,072 to 127,270 | 10% | 11.95% | 12.84% | 0.89% |
| 9 | 127,271 to 185,600 | 10% | 11.82% | 12.59% | 0.77% |
| 10 | 185,601 & over | 10% | 11.23% | 11.72% | 0.49% |
| ALL MINNESOTA HOUSEHOLDS | | 100% | 11.63% | 12.39% | 0.76% |

Detail for the 10th Decile

| | | | | | |
|-------------|--------------------|-----|--------|--------|-------|
| Lower Half | 185,601 to 262,353 | 5% | 11.37% | 12.01% | 0.64% |
| Next 4% | 262,354 to 636,247 | 4% | 11.13% | 11.64% | 0.51% |
| Top 1% | 636,248 & over | 1% | 11.23% | 11.61% | 0.38% |
| Full Decile | 185,601 & over | 10% | 11.23% | 11.72% | 0.49% |

Table 3 shows the change in dollars of tax burden by tax type.

- **Personal income tax** reductions are concentrated at lower deciles while income tax increases associated with pass-through businesses are concentrated at higher incomes.
- The lowest five deciles earn 15.1% of all income but are estimated to pay 23% or more of the increases in Corporate, Sales and Excise, Minnesota Care Provider, Motor Fuels, and Vehicle Registration taxes.

Governor's 2019 Budget Bills

Estimated Calendar Year 2021 Impact, by Tax Type

Dollars in \$1,000s

| 2021 Population Decile | Income Range | Percent of All Households | Percent of All Income | Change in Tax Burden | | | | | | | | |
|---------------------------------|--------------------|---------------------------|-----------------------|--------------------------------|----------------------------|------------------|-------------------------|------------------------|-------------------------------|------------------|--------------------------|--------------------|
| | | | | Income Tax (Personal) & Estate | Income Tax-- Flow-Through* | Corporate Tax | Property Tax Net of PTR | Sales and Excise Taxes | Minnesota Care Provider Taxes | Motor Fuels Tax | Vehicle Registration Tax | Total |
| 1 | \$14,528 & under | 10% | 0.9% | (\$9,331) | \$613 | \$3,996 | (\$170) | \$5,983 | \$21,147 | \$24,530 | \$12,983 | \$59,751 |
| 2 | 14,529 to 23,941 | 10% | 2.0% | (9,455) | 52 | 5,215 | 735 | 7,270 | 31,422 | 29,109 | 14,147 | 78,495 |
| 3 | 23,942 to 33,681 | 10% | 3.0% | (10,115) | 1,199 | 6,514 | 842 | 8,562 | 40,000 | 34,166 | 19,203 | 100,372 |
| 4 | 33,682 to 44,730 | 10% | 4.0% | (11,065) | 1,837 | 7,733 | 1,185 | 9,723 | 48,187 | 38,569 | 23,889 | 120,058 |
| 5 | 44,731 to 57,679 | 10% | 5.2% | (10,155) | 3,354 | 8,986 | 1,480 | 10,997 | 56,981 | 43,478 | 31,538 | 146,659 |
| 6 | 57,680 to 74,178 | 10% | 6.7% | (5,063) | 4,415 | 10,733 | 1,670 | 12,841 | 63,733 | 49,658 | 39,437 | 177,424 |
| 7 | 74,179 to 96,071 | 10% | 8.7% | (4,256) | 7,202 | 13,385 | 2,295 | 15,619 | 81,787 | 59,632 | 48,833 | 224,496 |
| 8 | 96,072 to 127,270 | 10% | 11.4% | 155 | 9,857 | 16,819 | 2,975 | 19,021 | 99,375 | 71,307 | 60,202 | 279,711 |
| 9 | 127,271 to 185,600 | 10% | 15.6% | 1,082 | 12,286 | 22,048 | 4,526 | 23,629 | 117,892 | 83,802 | 70,275 | 335,541 |
| 10 | 185,601 & over | 10% | 42.5% | 2,214 | 145,521 | 41,360 | 9,675 | 40,931 | 128,093 | 117,614 | 96,027 | 581,435 |
| ALL MINNESOTA HOUSEHOLDS | | 100% | 100.0% | (\$55,988) | \$186,335 | \$136,789 | \$25,212 | \$154,576 | \$688,618 | \$551,865 | \$416,535 | \$2,103,943 |

Detail for the 10th Decile

| | | | | | | | | | | | | |
|-------------|----------------------|-----|-------|---------|-----------|----------|---------|----------|-----------|-----------|----------|-----------|
| Lower Half | \$185,601 to 262,353 | 5% | 11.2% | \$735 | \$13,843 | \$14,437 | \$2,974 | \$14,709 | \$63,793 | \$47,707 | \$40,862 | \$199,060 |
| Next 4% | 262,354 to 636,247 | 4% | 15.3% | 998 | 39,108 | 16,757 | 3,284 | 16,348 | 51,362 | 46,484 | 39,473 | 213,814 |
| Top 1% | 636,248 & over | 1% | 16.1% | 481 | 92,569 | 10,167 | 3,417 | 9,874 | 12,938 | 23,422 | 15,693 | 168,561 |
| Full Decile | \$185,601 & over | 10% | 42.5% | \$2,214 | \$145,521 | \$41,360 | \$9,675 | \$40,931 | \$128,093 | \$117,614 | \$96,027 | \$581,435 |

*Includes the impact on business income from sole proprietorships, S corporations, partnerships, and farms.

Suits Indexes of Proposed Changes

Table 4 provides detail of the overall impact of the Governor's budget proposal by tax type, in the same manner as shown on Table 3-1 in the *Tax Incidence Study for all current-law taxes*. (See page 44 of that report.)

Income and Estate Taxes

Changes to income and estate taxes overall make the tax system more progressive with a combined Suits Index of +0.433. Total tax increases on Minnesota households are estimated to be \$267 million.

- Reductions in personal income taxes are highly progressive, with most of the benefit concentrated at lower deciles. The Suits Index for these changes is +0.749.
- Individual income tax increases for flow-through entities are highly progressive, with most of the increase concentrated in the highest decile. The Suits Index for these changes is +0.485.
- The corporate franchise tax increases are moderately regressive with a Suits Index of -0.187.

State Sales and Excise Taxes

Changes to state sales and excise taxes overall make the tax system more regressive with a combined Suits Index of -0.320. Total tax increases on Minnesota households are estimated to be \$1.332 billion. The largest increases in state sales and excise taxes are in motor fuels excise taxes and MinnesotaCare taxes.

State Property Taxes

Changes to state property taxes overall make the tax system more regressive with a combined Suits Index of -0.257. Total taxes on Minnesota households are estimated to increase \$447.6 million. The largest increases in state property taxes are in motor vehicle registration taxes.

Local Taxes

Changes to local taxes make the tax system more regressive with a combined Suits Index of -0.208. Total tax increases on Minnesota households are estimated to be \$58.5 million. The increase comes from a new metro-wide local sales tax. Local property taxes are estimated to decrease overall.

**Table 4. Impact of Governor's 2019 Budget Bills on State and Local Tax Collections and Tax Burdens
Calendar Year 2021 (Additional detail in appendix II)**

All dollars in millions

All dollar values rounded to nearest tenth of a million dollars. All values that are truly zero are shown as blanks.

| Tax Type | Change in Collections | As Imposed | | | After Shifting | | Suits Index for Tax Change* (Full Sample) |
|--------------------------------------|-----------------------|----------------|---------------|--------------|----------------|--------------|--|
| | | MN Households | Non-Residents | Business | MN Households | Exported | |
| State Taxes | | | | | | | |
| Taxes on Income and Estates | | | | | | | |
| Individual income tax--Personal | -69.4 | -68.9 | -0.5 | | -68.9 | -0.5 | +0.749 |
| Individual income tax--Flow-through | 211.6 | 186.3 | 25.3 | | 186.3 | 25.3 | +0.485 |
| Corporate franchise tax | 187.6 | | | 187.6 | 136.8 | 50.8 | -0.187 |
| Estate tax | 13.5 | 12.7 | 0.7 | | 12.7 | 0.7 | -0.052 |
| Total Income and Estate Taxes | 343.3 | 130.2 | 25.5 | 187.6 | 267.0 | 76.3 | +0.433 |
| Taxes on Consumption | | | | | | | |
| State sales taxes | | | | | | | |
| General sales tax | 29.4 | 0.6 | | 28.8 | 27.1 | 2.3 | -0.191 |
| Sales tax on motor vehicles | 53.7 | 33.8 | | 19.9 | 52.7 | 1.0 | -0.219 |
| Motor fuels excise tax | 638.5 | 386.9 | 40.6 | 211.0 | 551.9 | 86.6 | -0.316 |
| Alcoholic beverage excise taxes | | | | | | | |
| Cigarette and tobacco excise taxes | 12.5 | 12.1 | 0.4 | | 12.1 | 0.4 | -0.584 |
| Insurance premiums taxes | | | | | | | |
| Gambling taxes | | | | | | | |
| MinnesotaCare taxes | 751.8 | 688.6 | 63.1 | | 688.6 | 63.1 | -0.331 |
| Solid waste management taxes | | | | | | | |
| Total Consumption Taxes | 1,485.9 | 1,122.0 | 104.1 | 259.7 | 1,332.4 | 153.5 | -0.320 |
| Taxes on Property | | | | | | | |
| Residential recreational property | 2.7 | 2.2 | 0.5 | | 2.2 | 0.5 | -0.137 |
| Commercial | 32.0 | | | 32.0 | 17.8 | 14.2 | -0.139 |
| Industrial | 10.8 | | | 10.8 | 6.0 | 4.8 | -0.065 |
| Utility | 6.7 | | | 6.7 | 5.1 | 1.6 | -0.211 |
| Motor vehicle registration tax | 426.3 | 353.7 | | 72.6 | 416.5 | 9.7 | -0.265 |
| Mortgage and deed taxes | | | | | | | |
| Total Property Taxes | 478.5 | 355.8 | 0.5 | 122.2 | 447.6 | 30.9 | -0.257 |
| Property Tax Refunds | | | | | | | |
| Homeowners | -1.4 | -1.4 | | | -1.4 | | +0.844 |
| Renters | | | | | | | |
| Total Property Tax Refunds | -1.4 | -1.4 | | | -1.4 | | +0.844 |
| Total State Taxes | 2,306.3 | 1,606.7 | 130.2 | 569.5 | 2,045.6 | 260.7 | -0.207 |
| Local Taxes | | | | | | | |
| Property Taxes | | | | | | | |
| General Property Tax | -6.1 | 5.8 | 0.2 | -12.1 | -4.2 | -1.8 | +0.503 |
| Homeowners (before PTR) | 5.2 | 5.2 | | | 5.2 | | -0.169 |
| Residential rec & 2nd homes | 0.9 | 0.7 | 0.2 | | 0.7 | 0.2 | -0.131 |
| Commercial | 0.2 | | | 0.2 | 0.1 | 0.1 | -0.139 |
| Industrial | 0.1 | | | 0.1 | 0.1 | 0.1 | -0.065 |
| Farm (other than residence) | -13.6 | | | -13.6 | -11.2 | -2.5 | +0.290 |
| Rental Housing | 0.8 | | | 0.8 | 0.6 | 0.2 | -0.147 |
| Utility | 0.3 | | | 0.3 | 0.3 | 0.1 | -0.211 |
| Mining Production Taxes (taconite) | | | | | | | |
| Taxes on Consumption | | | | | | | |
| Local Sales Taxes | 72.0 | 39.6 | 4.7 | 27.7 | 62.7 | 9.3 | -0.227 |
| Local Gross Earnings Taxes | | | | | | | |
| Total Local Taxes | 65.9 | 45.4 | 4.9 | 15.6 | 58.5 | 7.4 | -0.208 |
| Total State and Local Taxes | 2,372.2 | 1,652.1 | 135.0 | 585.1 | 2,104.0 | 268.1 | -0.207 |

Parts may not sum to totals due to rounding.

* Suits indexes for a reduction in regressive taxes (such as the sales tax) are shown as positive because the tax cut makes the system less regressive.

Appendix I: Technical Notes

A. Assumptions about Changes in Local Property Taxes

- Local government levies will change in response to changes in state aids and credits. Standard assumptions are used by the Property Tax Division to estimate the magnitude of those changes.

B. Estimating the Incidence of Changes in Business Taxes (“Incremental Incidence”)

- As explained on pages 70-71 of the 2019 *Tax Incidence Study*, the incidence of a change in the level of business taxes (“incremental incidence”) will differ from the incidence of existing business taxes (“average incidence”). Average incidence divides an existing business tax into three parts – the national average tax on all capital, the sector differential, and the Minnesota differential. In contrast, a change in the level of a business tax is all treated as a change in the Minnesota differential.
- If the level of Minnesota business taxes changes, this will generally change the amount of *federal tax* paid by the business – either the federal corporate income tax or the federal individual income tax (for flow-through businesses). For a corporation paying federal tax at the 35% rate, each additional \$1,000 in Minnesota tax will reduce the federal tax burden by \$350. So \$350 of the \$1,000 of Minnesota tax burden is borne by the federal government in foregone tax revenue. The burden of the remaining \$650 in tax may be shifted to consumers in higher prices or to workers in lower compensation – or it may reduce the after-tax income of the business owner. This analysis assumes federal tax rates of 21% for corporate tax and 18% for individual income tax.
- The extent to which the tax burden will be shifted to consumers or workers will depend on the nature of the market. Minnesota tax changes are most likely to result in price changes if the market is local and close competitors face the same change in tax. Businesses selling in national or international markets are much less likely to shift the added cost to consumers by raising prices (or reduce their price in response to a tax cut). *As in the incidence study, the incidence results assume the market has had time to fully adjust to any tax changes.*
- The incidence of the **business tax** changes in the bill (as modeled here) is as follows:
 - Corporate tax increases: 45% shifted to Minnesota consumers, 27% shifted to Minnesota workers, less than 1% borne by Minnesota owners, and 27% borne by nonresidents and the federal government.
 - Business property tax increases: 46% of the burden to Minnesota consumers, 21% to Minnesota workers, 11% to Minnesota owners (non-farm), -28% to Minnesota farm owners, and 49% to nonresidents and the federal government.
 - Individual income tax increases on flow-through income: The burden is assumed to fall on the recipient of the income, as modeled using the House Income Tax Simulation (HITS) Model.
 - Transportation-related taxes (Motor fuels tax, motor vehicle registration tax, metropolitan area sales tax, motor vehicle sales tax): 51% of the burden to Minnesota consumers, 22% to Minnesota workers, 5% to Minnesota owners, and 22% to nonresidents and the federal government. State sales tax increase: 59% of the benefits to Minnesota consumers, 33% to Minnesota workers, less than 1% to Minnesota owners, and 8% to nonresidents and the federal government.

Appendix II: Tax Bill and Transportation Bill impacts

Table 4a. Impact of Governor's 2019 Tax Bill on State and Local Tax Collections and Tax Burdens

Calendar Year 2021

All dollars in millions

All dollar values rounded to nearest tenth of a million dollars. All values that are truly zero are shown as blanks.

| Tax Type | Change in Collections | As Imposed | | | After Shifting | | Suits Index for Tax Change* (Full Sample) |
|--------------------------------------|-----------------------|---------------|---------------|--------------|----------------|--------------|--|
| | | MN Households | Non-Residents | Business | MN Households | Exported | |
| State Taxes | | | | | | | |
| Taxes on Income and Estates | | | | | | | |
| Individual income tax--Personal | -64.6 | -64.1 | -0.5 | | -64.1 | -0.5 | +0.811 |
| Individual income tax--Flow-through | 211.6 | 186.3 | 25.3 | | 186.3 | 25.3 | +0.485 |
| Corporate franchise tax | 187.6 | | | 187.6 | 136.8 | 50.8 | -0.187 |
| Estate tax | 13.5 | 12.7 | 0.7 | | 12.7 | 0.7 | -0.052 |
| Total Income and Estate Taxes | 348.1 | 134.9 | 25.5 | 187.6 | 271.7 | 76.4 | +0.427 |
| Taxes on Consumption | | | | | | | |
| State sales taxes | | | | | | | |
| General sales tax | 29.4 | 0.6 | | 28.8 | 27.1 | 2.3 | -0.191 |
| Sales tax on motor vehicles | | | | | | | |
| Motor fuels excise tax | | | | | | | |
| Alcoholic beverage excise taxes | | | | | | | |
| Cigarette and tobacco excise taxes | 12.5 | 12.1 | 0.4 | | 12.1 | 0.4 | -0.584 |
| Insurance premiums taxes | | | | | | | |
| Gambling taxes | | | | | | | |
| MinnesotaCare taxes | | | | | | | |
| Solid waste management taxes | | | | | | | |
| Total Consumption Taxes | 41.9 | 12.7 | 0.4 | 28.8 | 39.2 | 2.7 | -0.312 |
| Taxes on Property | | | | | | | |
| Residential recreational property | 2.7 | 2.2 | 0.5 | | 2.2 | 0.5 | -0.137 |
| Commercial | 32.0 | | | 32.0 | 17.8 | 14.2 | -0.139 |
| Industrial | 10.8 | | | 10.8 | 6.0 | 4.8 | -0.065 |
| Utility | 6.7 | | | 6.7 | 5.1 | 1.6 | -0.211 |
| Motor vehicle registration tax | | | | | | | |
| Mortgage and deed taxes | | | | | | | |
| Total Property Taxes | 52.3 | 2.2 | 0.5 | 49.6 | 31.1 | 21.2 | -0.137 |
| Property Tax Refunds | | | | | | | |
| Homeowners | -1.4 | -1.4 | | | -1.4 | | +0.844 |
| Renters | | | | | | | |
| Total Property Tax Refunds | -1.4 | -1.4 | | | -1.4 | | +0.844 |
| Total State Taxes | 440.9 | 148.4 | 26.4 | 266.0 | 340.7 | 100.2 | +0.296 |
| Local Taxes | | | | | | | |
| Property Taxes | | | | | | | |
| General Property Tax | -6.1 | 5.8 | 0.2 | -12.1 | -4.2 | -1.8 | +0.503 |
| Homeowners (before PTR) | 5.2 | 5.2 | | | 5.2 | | -0.169 |
| Residential rec & 2nd homes | 0.9 | 0.7 | 0.2 | | 0.7 | 0.2 | -0.131 |
| Commercial | 0.2 | | | 0.2 | 0.1 | 0.1 | -0.139 |
| Industrial | 0.1 | | | 0.1 | 0.1 | 0.1 | -0.065 |
| Farm (other than residence) | -13.6 | | | -13.6 | -11.2 | -2.5 | +0.290 |
| Rental Housing | 0.8 | | | 0.8 | 0.6 | 0.2 | -0.147 |
| Utility | 0.3 | | | 0.3 | 0.3 | 0.1 | -0.211 |
| Mining Production Taxes (taconite) | | | | | | | |
| Taxes on Consumption | | | | | | | |
| Local Sales Taxes | | | | | | | |
| Local Gross Earnings Taxes | | | | | | | |
| Total Local Taxes | -6.1 | 5.8 | 0.2 | -12.1 | -4.2 | -1.8 | +0.503 |
| Total State and Local Taxes | 434.8 | 154.3 | 26.6 | 253.9 | 336.4 | 98.4 | +0.306 |

Parts may not sum to totals due to rounding.

* Suits indexes for a reduction in regressive taxes (such as the reduced property tax on farms) are shown as positive because the tax cut makes the system less regressive.

Table 4b. Impact of Governor's 2019 Transportation Bill on State and Local Tax Collections and Tax Burdens
Calendar Year 2021

All dollars in millions

All dollar values rounded to nearest tenth of a million dollars. All values that are truly zero are shown as blanks.

| Tax Type | Change in Collections | As Imposed | | | After Shifting | | Suits Index for Tax Change* (Full Sample) |
|--------------------------------------|-----------------------|---------------|---------------|--------------|----------------|--------------|--|
| | | MN Households | Non-Residents | Business | MN Households | Exported | |
| State Taxes | | | | | | | |
| Taxes on Income and Estates | | | | | | | |
| Individual income tax--Personal | -4.8 | -4.8 | -0.0 | | -4.8 | -0.0 | -0.076 |
| Individual income tax--Flow-through | | | | | | | |
| Corporate franchise tax | | | | | | | |
| Estate tax | | | | | | | |
| Total Income and Estate Taxes | -4.8 | -4.8 | -0.0 | | -4.8 | -0.0 | -0.076 |
| Taxes on Consumption | | | | | | | |
| State sales taxes | | | | | | | |
| General sales tax | | | | | | | |
| Sales tax on motor vehicles | 53.7 | 33.8 | | 19.9 | 52.7 | 1.0 | -0.219 |
| Motor fuels excise tax | 638.5 | 386.9 | 40.6 | 211.0 | 551.9 | 86.6 | -0.316 |
| Alcoholic beverage excise taxes | | | | | | | |
| Cigarette and tobacco excise taxes | | | | | | | |
| Insurance premiums taxes | | | | | | | |
| Gambling taxes | | | | | | | |
| MinnesotaCare taxes | | | | | | | |
| Solid waste management taxes | | | | | | | |
| Total Consumption Taxes | 692.2 | 420.7 | 40.6 | 230.9 | 604.5 | 87.7 | -0.308 |
| Taxes on Property | | | | | | | |
| Residential recreational property | | | | | | | |
| Commercial | | | | | | | |
| Industrial | | | | | | | |
| Utility | | | | | | | |
| Motor vehicle registration tax | 426.3 | 353.7 | | 72.6 | 416.5 | 9.7 | -0.265 |
| Mortgage and deed taxes | | | | | | | |
| Total Property Taxes | 426.250 | 353.7 | 0.0 | 72.6 | 416.5 | 9.7 | -0.265 |
| Property Tax Refunds | | | | | | | |
| Homeowners | | | | | | | |
| Renters | | | | | | | |
| Total Property Tax Refunds | | | | | | | |
| Total State Taxes | 1113.7 | 769.6 | 40.6 | 303.5 | 1016.3 | 97.3 | -0.292 |
| Local Taxes | | | | | | | |
| Property Taxes | | | | | | | |
| General Property Tax | | | | | | | |
| Homeowners (before PTR) | | | | | | | |
| Residential rec & 2nd homes | | | | | | | |
| Commercial | | | | | | | |
| Industrial | | | | | | | |
| Farm (other than residence) | | | | | | | |
| Rental Housing | | | | | | | |
| Utility | | | | | | | |
| Mining Production Taxes (taconite) | | | | | | | |
| Taxes on Consumption | | | | | | | |
| Local Sales Taxes | 72.0 | 39.6 | 4.7 | 27.7 | 62.7 | 9.3 | -0.227 |
| Local Gross Earnings Taxes | | | | | | | |
| Total Local Taxes | 72.0 | 39.6 | 4.7 | 27.7 | 62.7 | 9.3 | -0.227 |
| Total State and Local Taxes | 1185.6 | 809.2 | 45.3 | 331.2 | 1079.0 | 106.6 | -0.288 |

Parts may not sum to totals due to rounding.

* Suits indexes for a reduction in regressive taxes (such as the sales tax) are shown as positive because the tax cut makes the system less regressive.