

**2011 Supplement to
the Minnesota Tax Handbook**

This supplement to the 2010 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in 2011. The page references are to the 2010 Edition. Also included are the current rates for the major state taxes, the property tax class rates for taxes payable in 2012, and state tax collections for fiscal year 2011.

The 2010 Edition of the Minnesota Tax Handbook can be found on the Department of Revenue web site at <http://www.taxes.state.mn.us/reports/reports.html>

Minnesota Department of Revenue
Tax Research Division
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History of Major Changes

STATE TAXES

Individual Income Tax, Page 8

- 2011 – Federal provisions adopted except, for tax years 2011 and 2012, the increased standard deduction for married filers and the repeal of the limit on itemized deductions and phaseout of personal exemptions.
- Repealed credit for new participants in a Section 125 employer health insurance plan.

Estate Tax, Page 15

- 2011 – Enacted deduction for up to \$4 million of qualified farm or small business property.

General Sales and Use Tax, Page 20

- 2011 – Exemption enacted for all purchases by townships.
- Exemption enacted for qualifying equipment and electricity for new and expanded data centers.

LOCAL TAXES

General Property Tax, Page 58

- 2011 – Homestead market value credit repealed; homestead market value exclusion enacted.

**Rates of Major State Taxes
As of January 1, 2012**

Individual Income Tax: Tax Year 2012

Rates and Taxable Income Brackets

	<u>5.35% up to</u>	<u>7.05%</u>	<u>7.85% over</u>
Married Joint	\$34,590	\$34,591 - \$137,430	\$137,430
Married Sep.	\$17,300	\$17,301 - \$68,720	\$68,720
Single	\$23,670	\$23,671 - \$77,730	\$77,730
Head of Hshld.	\$29,130	\$29,131 - \$117,060	\$117,060

Corporate Franchise Tax: 9.8%

General Sales and Use Tax: 6.875%

Liquor Gross Receipts Tax: 2.5%

Motor Vehicle Sales Tax: 6.5%

Motor Fuels Excise Taxes

Highway gasoline and diesel:	
FY 2012	28¢ per gallon
FY 2013	28.5¢ per gallon
Aviation fuels:	0.5¢ - 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:	\$.30 - \$3.52 per gallon

Cigarette Tax and Fee: \$1.23 per pack of 20 cigarettes

Tobacco Products Tax and Fee: 70% of wholesale price

Mortgage Registry Tax: 0.23% of principal debt

Deed Transfer Tax: 0.33% of consideration

MinnesotaCare Taxes: 2% 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 2012, 51.1% of the net tax capacity of commercial and industrial property; 20.75% for seasonal recreational property.

Class Rates for Major Classes of Property for 2012

<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% ^b
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 \$1,210,000 MV	0.5% ^a
Over \$1,210,000 MV	1.0% ^a
Nonhomestead agricultural land	1.0% ^a
2b Rural vacant land	1.0%
2c Managed forest land	0.65% ^a
2d Private airport	1.0% ^a
2e Unmined commercial aggregate deposit land	1.0% ^a
3a Commercial and industrial, utility real property	
First \$150,000 MV	1.5% ^b
Over \$150,000 MV	2.0% ^b
Public utility machinery	2.0% ^b
3b Employment property – same as Class 3a ^b	
4a Apartments, 4 or more units; private hospitals	1.25%
4b Residential or farm nonhomestead, 2-3 units; manufactured homes	1.25%
4bb Residential or farm nonhomestead, 1 unit – same as Class 1a	
4c Commercial seasonal recreational residential – same as Class 1a ^b	
Nonprofit community service organization	1.5%
Post-secondary student housing	1.0% ^a
Manufactured home parks	1.25%
Noncommercial seasonal recreational residential – Same as Class 1a ^{a, b}	
Qualifying marinas – same as Class 1a	
Qualifying golf courses	1.25%
Nonprofit fitness and recreational facilities in the metro area	1.25%
4d Low-income rental housing	0.75%
5 Unmined iron ore and low-grade iron ore	2.0% ^b
All other property	2.0%

^aExempt from school district referendum levies.

^bSubject to state general property tax, except for electric generating public utility machinery.

**Minnesota State Tax Collections Fiscal Year 2011
All Funds - Net After Refunds**

	FY 2011 Collections	
	Amount (000's)	% of Total
Individual Income Tax	\$7,529,204	42.05%
Income Tax Reciprocity	59,719	0.33
Corporate Franchise Tax	924,613	5.16
Estate Tax	161,202	0.90
General Sales & Use Tax	4,583,049	25.60
Liquor Gross Receipts Tax	70,117	0.39
Motor Vehicle Rental Tax	14,051	0.08
Motor Vehicle Rental Fee	2,085	0.01
Motor Vehicle Sales Tax	503,413	2.81
Motor Fuels Excise Taxes	849,581	4.75
Alcoholic Beverage Taxes	78,422	0.44
Cigarette Taxes and Fees	377,488	2.11
Tobacco Products Taxes and Fees	49,155	0.28
Mortgage Registry Tax	98,877	0.55
Deed Transfer Tax	54,526	0.31
Lawful Gambling Taxes	36,980	0.21
Pari-mutuel Tax	580	*
Insurance Premiums Taxes	369,751	2.07
Health Care Surcharges	245,249	1.37
MinnesotaCare Taxes	476,068	2.66
Mining Occupation Taxes	12,850	0.07
State Property Tax	766,926	4.28
Contamination Tax	307	*
Motor Vehicle Registration Tax	557,175	3.11
Airflight Property Tax	7,806	0.04
Aircraft Registration Tax	5,920	0.03
Rural Electric Co-ops	49	*
Solid Waste Management Taxes	65,527	0.37
Metropolitan Landfill Fee	<u>3,726</u>	<u>0.02</u>
Total	\$17,904,416	100.00%

* Less than .005%