

# REPORT

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## RECENT TRENDS IN MINNESOTA'S DISPOSABLE PERSONAL INCOME PERFORMANCE

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A Report to the State Departments Division  
of the Minnesota Senate Finance Committee

December 10, 1987

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and Economic Development

## RECENT TRENDS IN MINNESOTA'S DISPOSABLE PERSONAL INCOME PERFORMANCE

### Disposable Personal Income

- Disposable personal income is what remains of personal income after making personal tax and nontax payments. It is the income available to persons for spending and savings. Personal taxes include federal, state and local income, estate and gift, personal property and motor vehicle license taxes. Nontax payments include passport fees, fines and penalties, donations, and tuitions and fees paid to schools and hospitals operated mainly by government.

### Minnesota's Performance

- In 1986 Minnesota's disposable personal income per capita was \$12,488, exceeding the U.S. average of \$12,334. Minnesota ranked 16th highest among all the states in per capita disposable income and second only to Illinois in the 12-state Midwest region (Table 1).
- From 1983 to 1986, Minnesota's per capita disposable income grew by 7.5 percent a year, compared to the U.S. average of 6 percent a year. Minnesota ranked fifth among all the states and first among Midwestern states in per capita disposable income growth from 1983 to 1986 (Table 1).
- Minnesota's per capita personal income growth and per capita disposable income growth exceeded the 12-state Midwest average in both the 1980-83 and 1983-86 periods. Minnesota lagged the U.S. average in per capita personal and disposable income growth during 1980-83 but exceeded the nation during 1983-86 (Figures 1 and 2).
- From 1980 to 1983, Minnesota's per capita disposable income grew at a rate of 6.2 percent a year, slightly less than the 6.3 percent annual growth rate for total personal income per capita. From 1983 to 1986, Minnesota reversed the pattern with disposable income growth surpassing overall personal income growth on a per capita basis, 7.5 percent to 7 percent a year (Figures 1 and 2).

### Influence of Tax Changes

- Tax cuts are the primary reason for the improved performance of Minnesota's disposable income relative to personal income from 1983 to 1986. While Minnesota exceeded the nation and Midwest region in tax and nontax payment growth from 1980 to 1983, Minnesota's tax growth rate slowed considerably from 1983 to 1986. Minnesota's tax and nontax payments per capita grew 4.1 percent a year during 1983-86 compared to 6.8 percent for the nation and 6 percent for the Midwest region in the same time frame (Figure 3).

- Minnesota's tax and nontax payments per capita rose from 110 percent of the U.S. average in 1980 to a high of 114 percent in 1983, then began dropping each year, reaching 106 percent of the U.S. average in 1986. Minnesota's per capita disposable income stood at 99.5 percent of the U.S. average in 1980, dropped to a low of 97 percent in 1983, then rose to 101 percent by 1986 (Figure 4).
- In the Midwest, Minnesota's per capita tax and nontax payments rose from 109 percent of the regional average in 1980 to 117 percent in 1983, then dropped back to 111 percent in 1986. Minnesota's strong performance in overall personal income growth resulted in per capita disposable income rising from slightly below the Midwest average in 1980 to 104 percent of the regional average in 1986 (Figure 5).

#### Minnesota's Personal Income Tax

- Reductions in Minnesota's personal income tax accounted for over 80 percent of the drop in tax and nontax payments per \$1,000 of personal income from 1983 to 1986.
- Minnesota state personal income tax collections dropped by 2.3 percent a year from 1983 to 1986. State personal income tax collections for the U.S. as a whole increased by 9.4 percent a year over the same three-year period (Figure 6).
- Minnesota personal income tax collections per \$1,000 of personal income dropped 9.2 percent a year from 1983 to 1986. For the entire nation, state personal income taxes per \$1,000 of personal income rose by 1.7 percent a year from 1983 to 1986 (Figure 7).

#### Metropolitan Area Comparisons

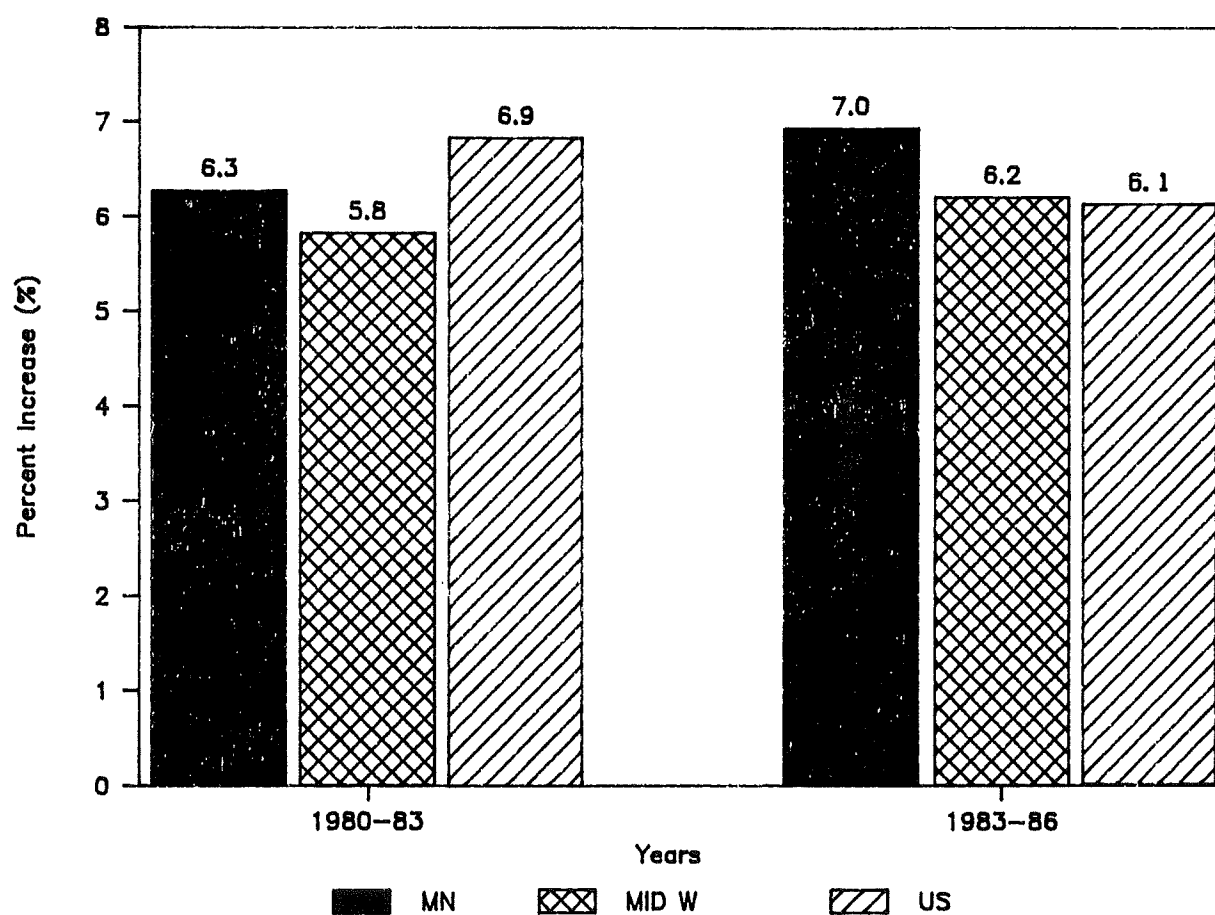
- The Minneapolis/St. Paul metropolitan area ranks tenth in the nation among major metro areas in per capita disposable income. In 1986 Twin Cities per capita disposable personal income was \$14,628, compared to a U.S. average for major metro areas of \$14,157 (Table 2).
- If you adjust per capita disposable income for cost of living differences among metropolitan areas, you have a better way of comparing overall standard of living differences. The Minneapolis/St. Paul metro area ranks fourth among major metropolitan areas by this measure of overall standard of living (Table 3).

TABLE 1 PER CAPITA DISPOSABLE PERSONAL INCOME FOR STATES.

STATES	1986	STATES	% CHANGE 1983-86
1. Connecticut	\$16,313	1. New Hampshire	8.6%
2. New Jersey	15,338	2. Massachusetts	8.0
3. Alaska	15,023	3. Connecticut	7.9
4. Massachusetts	14,621	4. New York	7.7
5. California	14,341	5. MINNESOTA	7.5
6. New York	14,306	6. NEBRASKA	7.4
7. New Hampshire	14,095	7. Maine	7.4
8. Maryland	13,886	8. IOWA	7.1
9. ILLINOIS	13,252	9. Georgia	7.0
10. Colorado	13,134	10. SOUTH DAKOTA	7.0
11. Virginia	12,987	11. North Carolina	6.9
12. Rhode Island	12,883	12. Virginia	6.9
13. Washington	12,815	13. Maryland	6.8
14. Nevada	12,735	14. Vermont	6.8
15. Hawaii	12,707	15. New Jersey	6.6
16. MINNESOTA	12,488	16. Rhode Island	6.6
		17. INDIANA	6.6
UNITED STATES	12,334	18. Tennessee	6.4
		19. ILLINOIS	6.3
17. Delaware	12,316	20. Arizona	6.2
18. Florida	12,271	21. OHIO	6.2
19. KANSAS	12,220	22. South Carolina	6.1
20. NEBRASKA	11,999	23. WISCONSIN	6.1
21. Pennsylvania	11,996		
22. MICHIGAN	11,865	UNITED STATES	6.0
23. WISCONSIN	11,829		
24. OHIO	11,782	24. Oregon	6.0
25. MISSOURI	11,673	25. California	6.0
26. Texas	11,594	26. KANSAS	6.0
27. Arizona	11,497	27. Delaware	5.9
28. Oregon	11,423	28. Alabama	5.9
29. IOWA	11,349	29. MISSOURI	5.9
30. Wyoming	11,121	30. MICHIGAN	5.6
31. INDIANA	11,116	31. Pennsylvania	5.4
32. Georgia	11,018	32. Florida	5.4
33. Maine	11,015	33. Hawaii	5.3
34. Vermont	10,984	34. Arkansas	5.1
35. NORTH DAKOTA	10,923	35. Kentucky	5.1
36. SOUTH DAKOTA	10,656	36. Colorado	5.0
37. North Carolina	10,522	37. Montana	4.9
38. Oklahoma	10,397	38. Washington	4.9
39. Montana	10,249	39. NORTH DAKOTA	4.9
40. Tennessee	10,179	40. Mississippi	4.8
41. Idaho	10,063	41. Nevada	4.4
42. Louisiana	9,762	42. West Virginia	4.3
43. South Carolina	9,553	43. Idaho	4.3
44. Kentucky	9,549	44. Texas	4.1
45. Alabama	9,468	45. Wyoming	3.7
46. New Mexico	9,324	46. Utah	3.6
47. Arkansas	9,237	47. New Mexico	3.0
48. West Virginia	9,038	48. Oklahoma	2.9
49. Utah	9,025	49. Louisiana	2.3
50. Mississippi	8,166	50. Alaska	-0.1

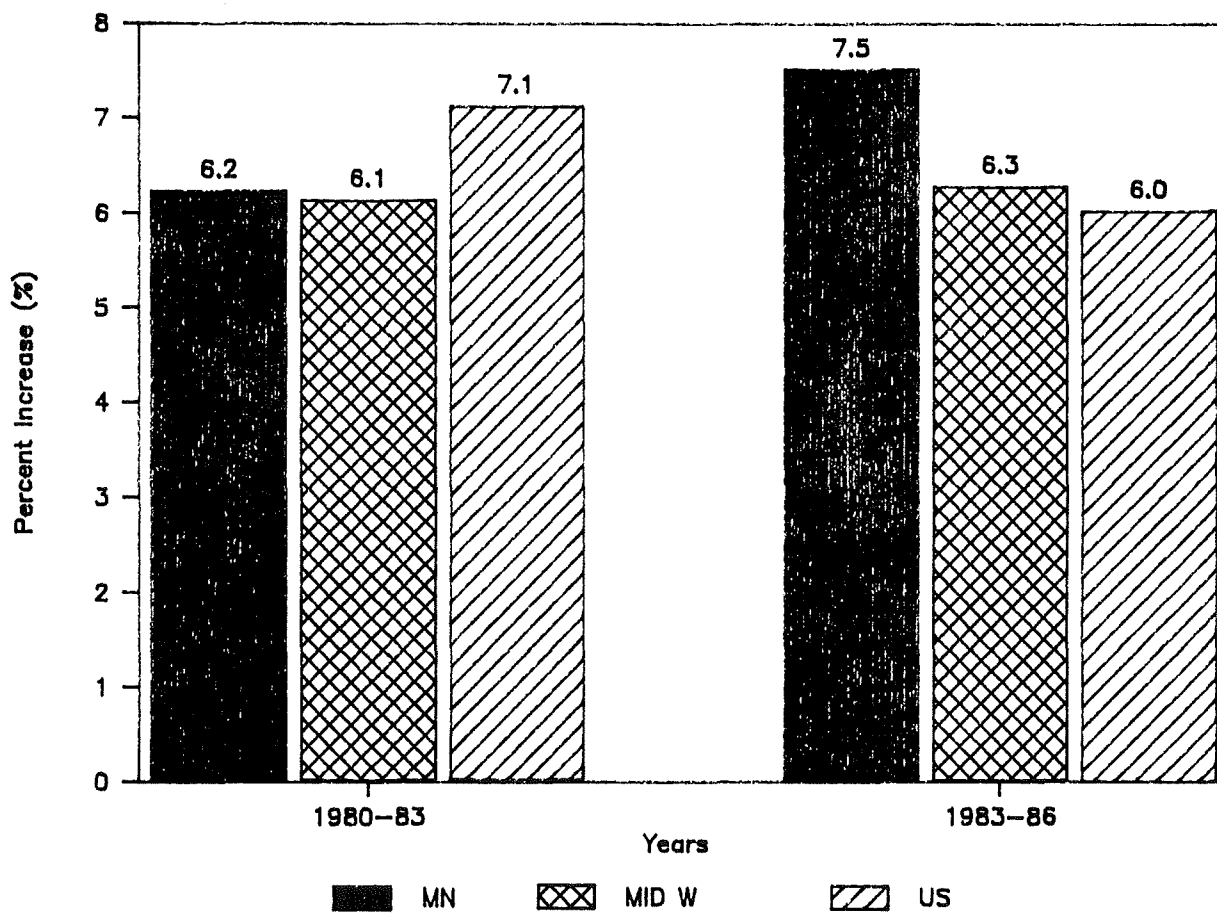
SOURCE: U.S. Dept. of Commerce, Bureau of Economic Analysis, Survey of Current Business, April 1987, Volume 67, Number 4.

FIGURE 1. PERCENT CHANGE IN PER CAPITA  
PERSONAL INCOME, 1980-83 & 1983-86.



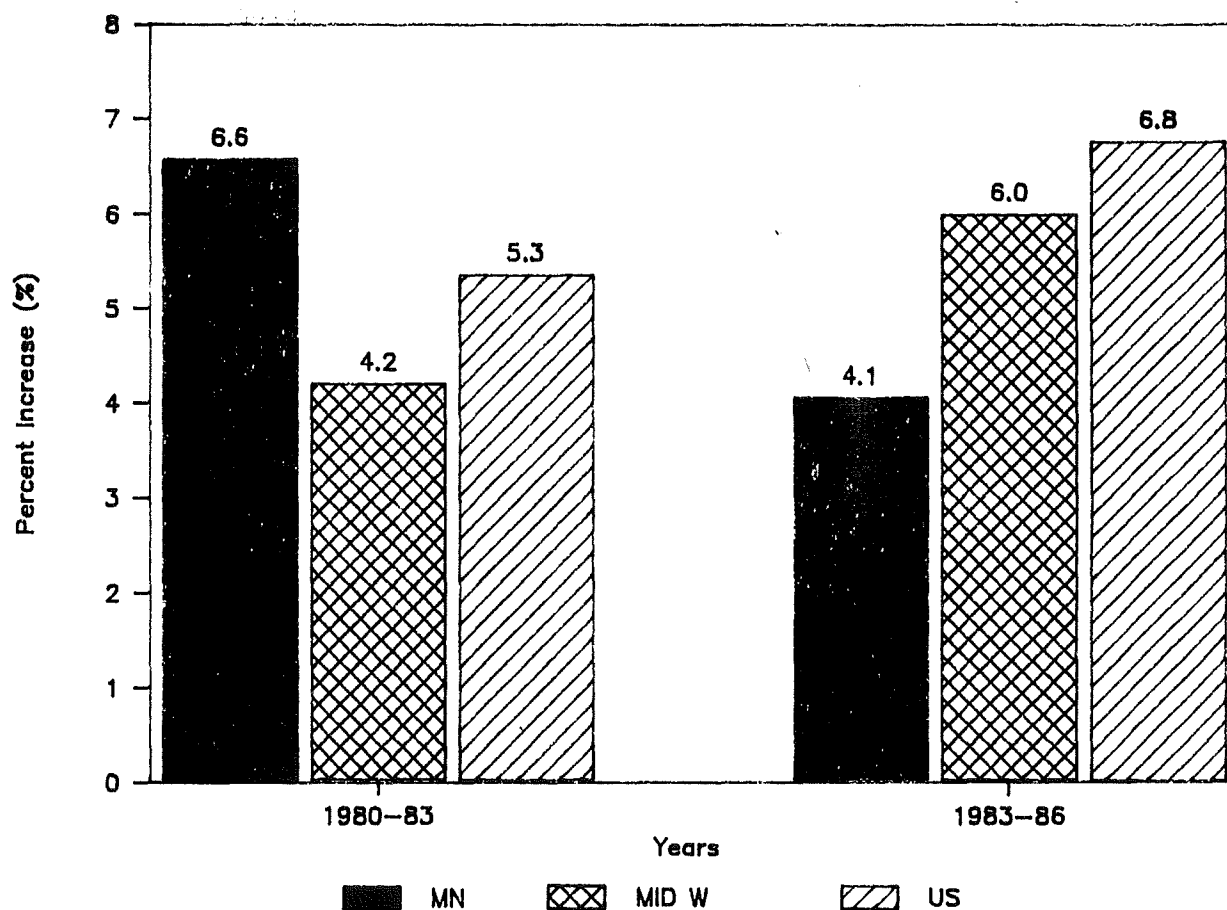
Source: Survey of Current Business, April 1987.

FIGURE 2. PERCENT CHANGE IN PER CAPITA  
DISPOSABLE INCOME, 1980-83 & 1983-86.



Source: Survey of Current Business, April 1987.

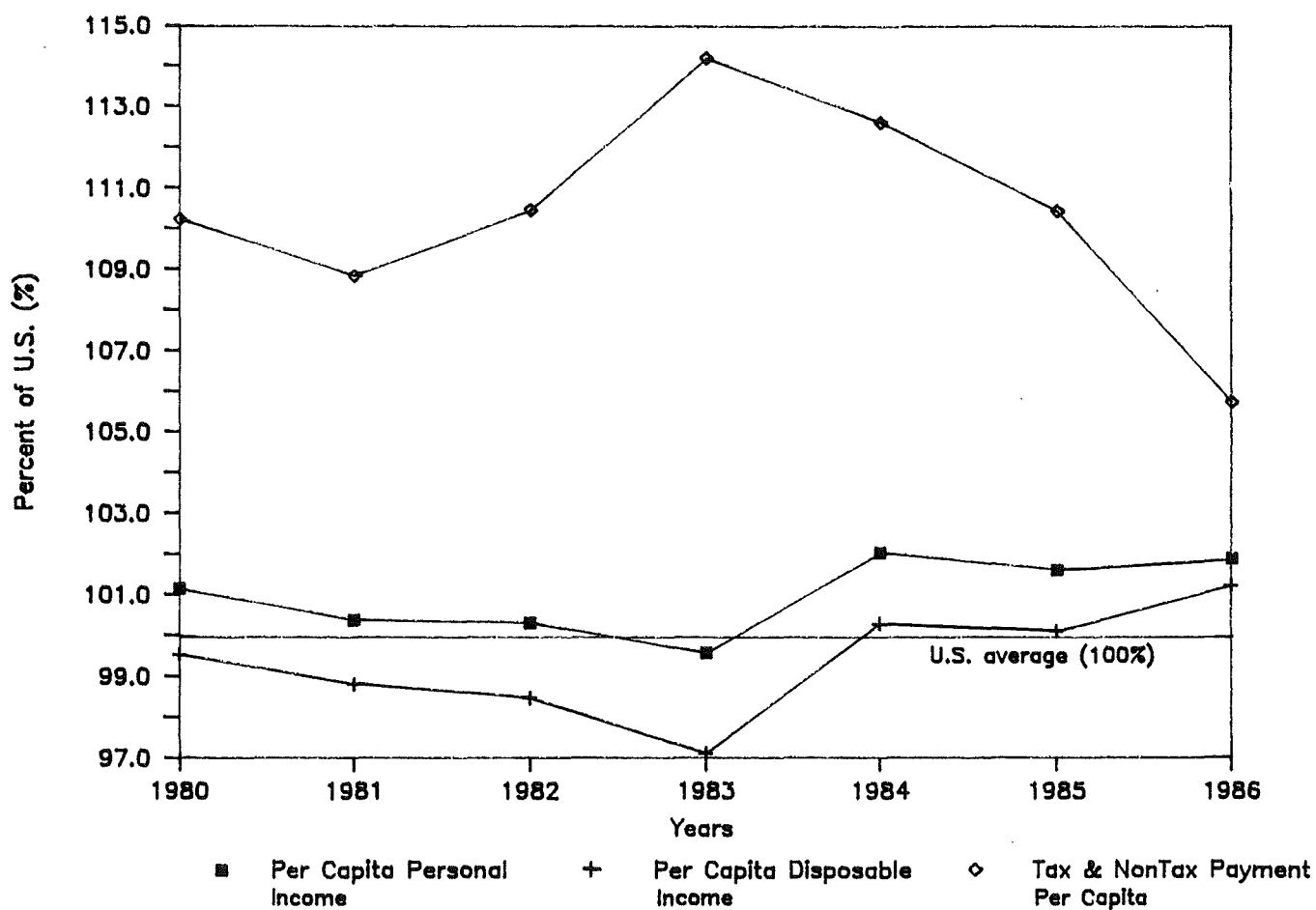
FIGURE 3. PERCENT CHANGE IN PER CAPITA TAX  
AND NONTAX PAYMENTS, 1980-83 AND 1983-86.



Source: Survey of Current Business, April 1987.

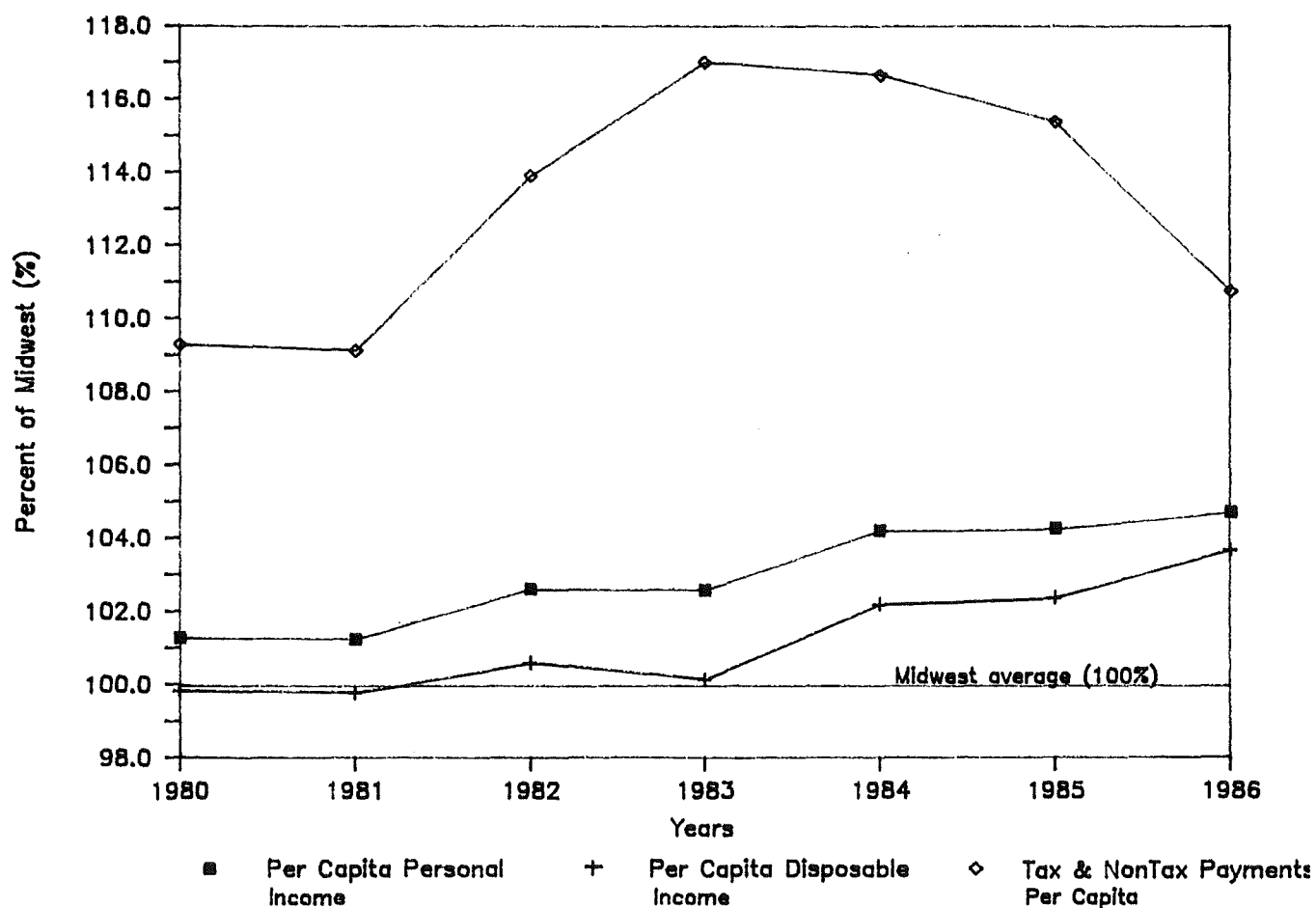


FIGURE 4. HOW MINNESOTA COMPARES WITH THE U.S. IN PER CAPITA INCOME AND TAX AND NONTAX PAYMENTS, 1980-86.



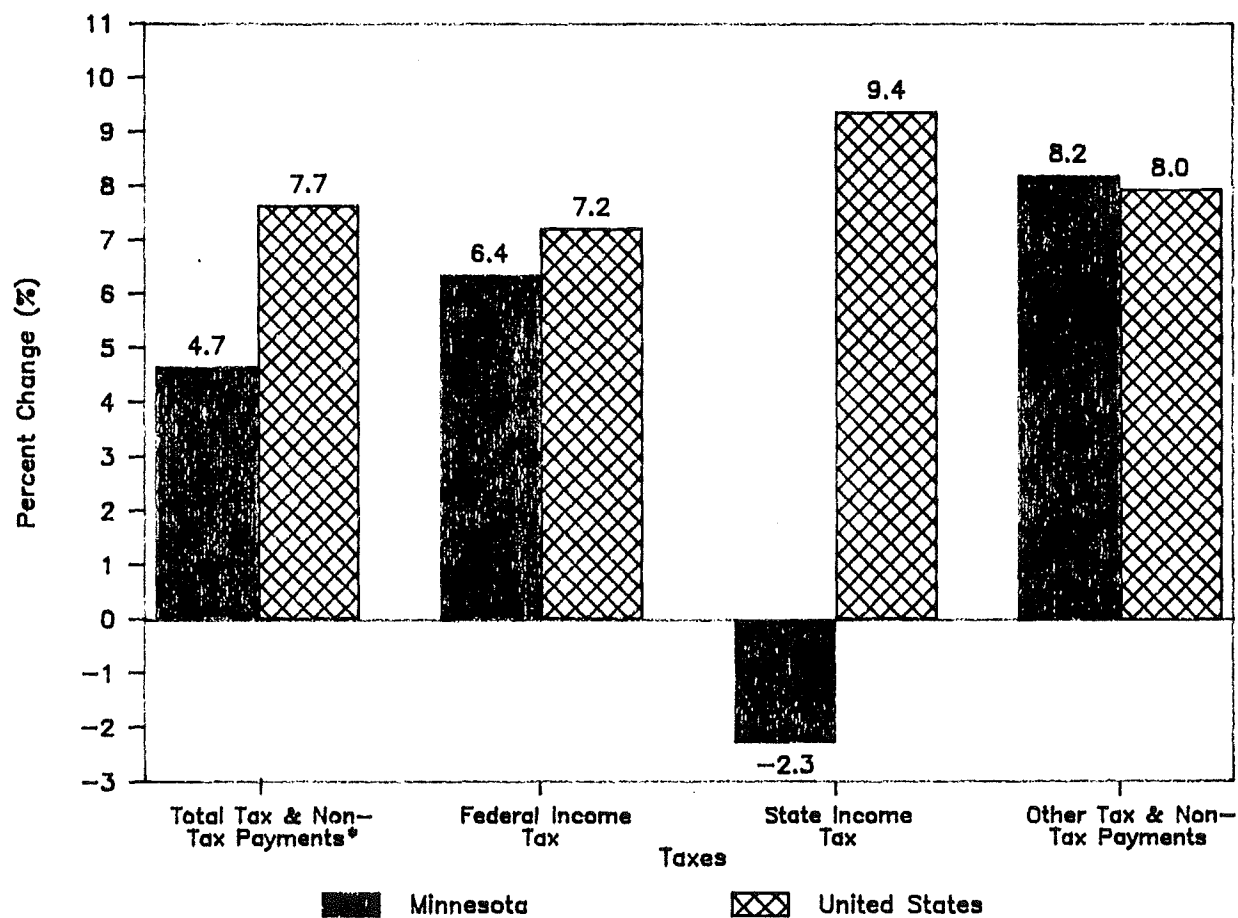
Source: Survey of Current Business, April 1987.

FIGURE 5. HOW MINNESOTA COMPARES WITH THE MIDWEST IN PER CAPITA INCOME AND TAX AND NONTAX PAYMENTS, 1980-86.



Source: Survey of Current Business, April 1987.

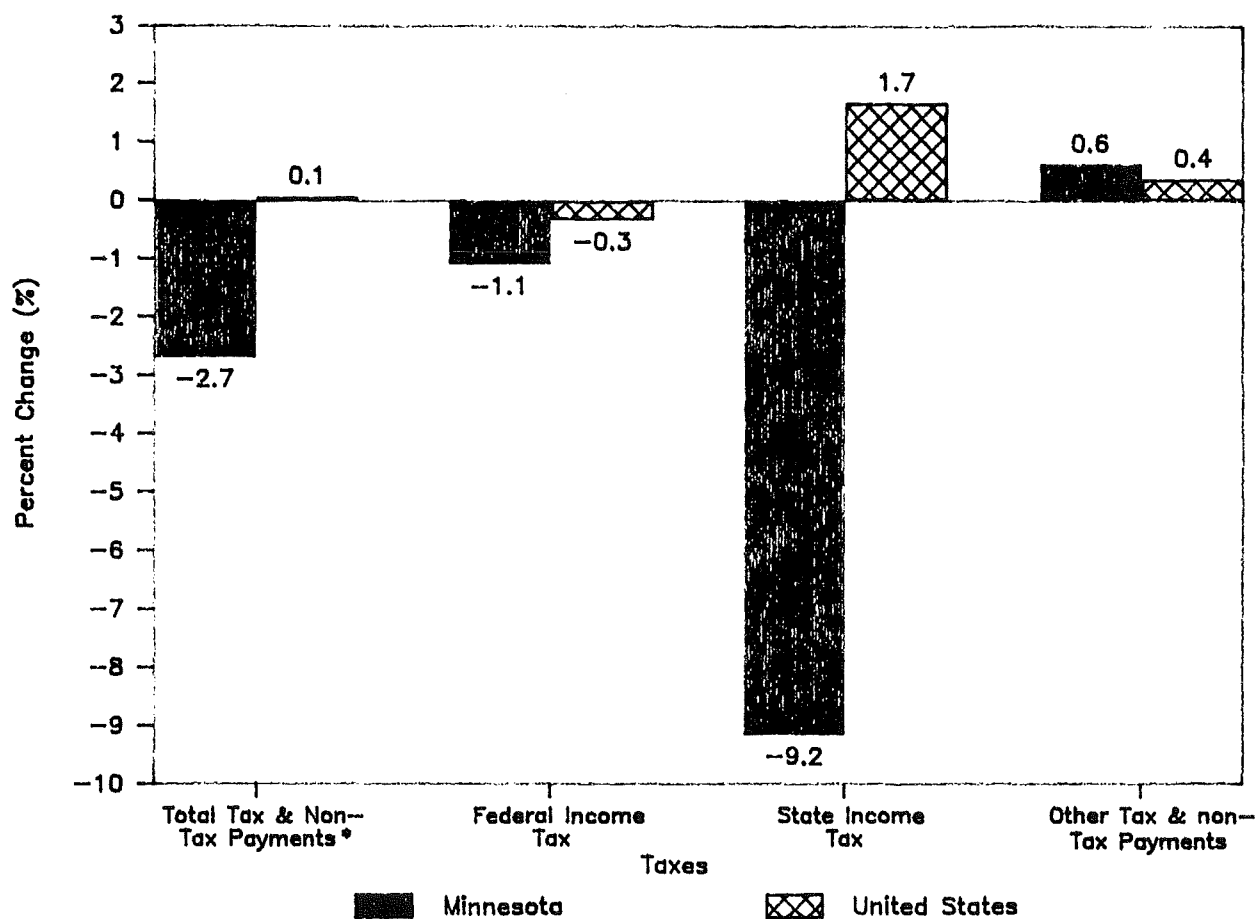
FIGURE 6. ANNUAL CHANGE IN TAX AND  
NONTAX PAYMENTS\*, MN & US, 1983 - 86.



Sources: Survey of Current Business, July 1987.  
U.S. Dept. of Commerce, Unpublished Data.

\* Nontax payments include tuitions, hospital and health charges,  
fines and other nontax payments to government.

FIGURE 7. ANNUAL CHANGE IN TAX AND NONTAX  
PAYMENTS \* PER \$1,000 PERSONAL INCOME, 1983 - 86.



Sources: Survey of Current Business, July 1987.  
U.S. Dept. of Commerce, Unpublished Data.

\* Nontax payments include tuitions, hospital and health charges,  
fines and other nontax payments to government.



TABLE 2. TOTAL AND PER CAPITA DISPOSABLE PERSONAL INCOME FOR  
THE LARGEST METROPOLITAN AREAS IN THE U.S., 1986.

METRO AREAS	TOTAL DISPOSABLE PERSONAL INCOME (billion \$)	METRO AREA POPULATION ( '000)	PER CAPITA DISPOSABLE INCOME	RANK
METRO AVERAGE	-	-	\$14,157	-
San Francisco	\$29,040	1,583.7	18,337	1
Nassau-Suffolk	46,265	2,663.8	17,368	2
Washington	61,476	3,544.0	17,347	3
Oakland	31,333	1,949.2	16,075	4
Anaheim-Sta. Ana	34,580	2,177.3	15,882	5
Newark	29,691	1,899.3	15,632	6
Boston-Salem	57,664	3,724.2	15,484	7
Seattle	26,746	1,758.2	15,212	8
Denver	24,235	1,649.4	14,694	9
MINNEAPOLIS/ST. PAUL	33,984	2,323.3	14,628	10
San Diego	31,678	2,217.7	14,284	11
New York	121,151	8,527.7	14,207	12
Dallas	33,637	2,378.0	14,145	13
Chicago	86,724	6,166.3	14,064	14
Los Angeles	114,134	8,312.3	13,731	15
Kansas City	20,876	1,525.0	13,689	16
Atlanta	34,278	2,543.2	13,478	17
Houston	43,536	3,232.2	13,469	18
Philadelphia	63,472	4,827.4	13,148	19
Detroit	56,745	4,358.7	13,019	20
St. Louis	31,446	2,451.2	12,829	21
Cleveland	23,748	1,853.3	12,814	22
Phoenix	24,437	1,916.2	12,753	23
Baltimore	28,921	2,306.1	12,541	24
Pittsburg	26,285	2,139.6	12,285	25
Tampa-St. Peters	23,415	1,916.2	12,219	26
Riverside	24,348	2,005.4	12,141	27
Miami-Hialeah	21,584	1,785.0	12,092	28

Source: Sales and Marketing Management, Disposable Personal Income  
and Metro Area Population, 1987 Survey of Buying Power.

(Disposable personal income is personal income less personal tax and other non-tax payments. It is the income available to persons for spending and saving. Personal taxes include income, estate & gift, personal property, and selected license taxes. Non-tax payments include tuition fees paid to schools and hospitals operated by the government, passport fees, fines and penalties, and donations).

TABLE 3. STANDARD OF LIVING FOR THE LARGEST METROPOLITAN AREAS IN THE UNITED STATES, 1986.

METRO AREAS	DISPOSABLE INCOME INDEX	METRO RANK	COST OF LIVING INDEX	METRO RANK	STANDARD OF LIVING	METRO RANK	STANDARD OF LIVING INDEX
METRO AVERAGE	100%	-	100%	-	\$12,398.96	-	100%
San Francisco	130	1	127	25	14,438.64	1	116
Seattle	107	8	107	11	14,217.18	2	115
Denver	104	9	104	7	14,128.38	3	114
MINNEAPOLIS/ST. PAUL	103	10	104	6	14,064.99	4	113
Anaheim-Sta. Ana	112	5	114	18	13,931.44	5	112
Washington	123	3	125	23	13,877.27	6	112
Kansas City	97	16	102	4	13,420.93	7	108
Oakland	114	4	120	20	13,395.67	8	108
Houston	95	18	102	5	13,205.21	9	107
St. Louis	91	21	98	2	13,090.78	10	106
Dallas	100	13	110	13	12,859.06	11	104
Pittsburg	87	25	96	1	12,797.04	12	103
Cleveland	91	22	101	3	12,686.94	13	102
Newark	110	6	126	24	12,406.72	14	100
Detroit	92	20	106	8	12,281.82	15	99
Atlanta	95	17	110	14	12,253.06	16	99
Los Angeles	97	15	114	17	12,044.51	17	97
Baltimore	89	24	106	9	11,831.35	18	95
Phoenix	90	23	108	12	11,808.32	19	95
Nassau-Suffolk	123	2	148	27	11,735.08	20	95
Chicago	99	14	122	21	11,528.04	21	93
San Diego	101	11	124	22	11,519.66	22	93
Tampa-St. Peters	86	26	107	10	11,419.90	23	92
Philadelphia	93	19	119	19	11,048.96	24	89
Miami-Hialeah	85	28	111	15	10,893.71	25	88
Riverside	86	27	112	16	10,840.36	26	87
New York	100	12	142	26	10,004.73	27	81
Boston-Salem	109	7	164	28	9,441.24	28	76

Sources: American Chamber of Commerce Researchers Association, Inter-City Cost of Living Index, 1st to 4th Quarter, 1986.  
Sales and Marketing Management, Disposable Personal Income and Metro Area Population, 1987 Survey of Buying Power.

(Standard of living is defined here as the "area price adjusted disposable personal income", i.e., per capita disposable personal income divided by the cost of living index. The standard of living index is derived from standard of living divided by the metro average standard of living which is \$12,398.96).

## **APPENDIX**

### **Data Tables**

TABLE A-1. PER CAPITA PERSONAL INCOME AND PER CAPITA PERSONAL DISPOSABLE INCOME, 1980 TO 1986.

	1980	1981	1982	1983	1984	1985	1986
UNITED STATES:							
Pcap. Pers. Inc.	\$9,910	\$10,940	\$11,470	\$12,093	\$13,115	\$13,867	\$14,461
Pcap. Disp. Inc.	8,415	9,232	9,710	10,345	11,260	11,834	12,334
Taxes Per Capita	1,495	1,708	1,760	1,748	1,855	2,033	2,127
MIDWEST:							
Pcap. Pers. Inc.	9,898	10,848	11,212	11,738	12,843	13,517	14,075
Pcap. Disp. Inc.	8,390	9,144	9,505	10,032	11,052	11,571	12,044
Taxes Per Capita	1,508	1,704	1,707	1,706	1,791	1,946	2,031
MINNESOTA:							
Pcap. Pers. Inc.	10,025	10,982	11,506	12,042	13,384	14,092	14,737
Pcap. Disp. Inc.	8,377	9,123	9,562	10,046	11,295	11,847	12,488
Taxes Per Capita	1,648	1,859	1,944	1,996	2,089	2,245	2,249

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, Survey of Current Business. April 1987, Volume 67, Number 4.

Note: Pcap. Pers. Inc. = Per Capita Personal Income.  
Pcap. Disp. Inc. = Per Capita Disposable Income.



TABLE A-2. PERCENT CHANGE IN PER CAPITA PERSONAL INCOME,  
DISPOSABLE INCOME AND TAXES, 1980-83 AND 1983-86.

	1980-83	1983-86
UNITED STATES:		
Per capita personal income	6.9%	6.1%
Per capita disposable income	7.1	6.0
Taxes per capita	5.3	6.8
MIDWEST:		
Per capita personal income	5.8	6.2
Per capita disposable income	6.1	6.3
Taxes per capita	4.2	6.0
MINNESOTA:		
Per capita personal income	6.3	7.0
Per capita disposable income	6.2	7.5
Taxes per capita	6.6	4.1

TABLE A-3. HOW MINNESOTA COMPARES WITH THE US AND MIDWEST IN PER CAPITA  
PERSONAL INCOME, DISPOSABLE INCOME AND TAXES, 1980 TO 1986.

	1980	1981	1982	1983	1984	1985	1986
MINNESOTA VERSUS U.S.:							
Pcap. pers. inc.	101.2	100.4	100.3	99.6	102.1	101.6	101.9
Pcap. disp. inc.	99.5	98.8	98.5	97.1	100.3	100.1	101.2
Taxes per capita	110.2	108.8	110.5	114.2	112.6	110.4	105.7
MINNESOTA VERSUS MIDWEST:							
Pcap. pers. inc.	101.3	101.2	102.6	102.6	104.2	104.3	104.7
Pcap. disp. inc.	99.8	99.8	100.6	100.1	102.2	102.4	103.7
Taxes per capita	109.3	109.1	113.9	117.0	116.6	115.4	110.7

Note: Pcap. pers. inc. = Per capita personal income.  
Pcap. disp. inc. = Per capita disposable income.

TABLE A-4. TAXES AND NON-TAX PAYMENTS, MINNESOTA AND U.S., 1983-1986.

TAX	1983	1984	1985	1986	% CHANGE 1983-86
MINNESOTA:					
Federal personal income tax	4.62	4.67	5.37	5.57	6.37%
State personal income tax	2.13	2.36	2.21	1.98	-2.29
Other taxes & nontax payments	1.56	1.72	1.87	1.97	8.23
Total tax & nontax payments	8.31	8.75	9.45	9.53	4.66
Personal income	49.92	55.73	59.07	62.10	
U.S.:					
Federal personal income tax	288.10	303.70	339.50	355.20	7.23
State personal income tax	58.30	67.60	71.90	76.30	9.38
Other taxes & nontax payments	64.20	68.80	74.70	80.80	7.97
Total tax & nontax payments	410.60	440.10	486.10	512.30	7.66
Personal income	2,838.60	3,108.70	3,327.00	3,534.30	

Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis, Survey of Current Business. July 1987.  
U.S. Dept. of Commerce, Unpublished data.

TABLE A-5. TAXES AND NON-TAX PAYMENTS PER \$1,000 OF PERSONAL INCOME,  
MINNESOTA AND U.S., 1983 - 1986.

TAX	1983	1984	1985	1986	% CHANGE 1983-86
MINNESOTA:					
Federal personal income tax	\$92.65	\$83.82	\$90.90	\$89.64	-1.09%
State personal income tax	42.61	42.35	37.41	31.95	-9.15
Other taxes & nontax payments	31.19	30.77	31.62	31.79	0.63
Total tax & nontax payments	166.45	156.94	159.93	153.37	-2.69
U.S.:					
Federal personal income tax	101.49	97.69	102.04	100.50	-0.33
State personal income tax	20.54	21.75	21.61	21.59	1.68
Other taxes & nontax payments	22.62	22.13	22.45	22.86	0.36
Total tax & nontax payments	144.65	141.57	146.11	144.95	0.07

Sources: U.S. Dept. of Commerce, Bureau of Economic Analysis, Survey of Current  
Business. July 1987.  
U.S. Dept. of Commerce, Unpublished data.



TABLE A-6. COST OF LIVING FOR THE LARGEST METROPOLITAN AREAS IN THE UNITED STATES, 1986.

METRO AREAS	STANDARD OF LIVING		ALL- ITEMS		COST OF LIVING INDICES:					
	INDEX	RANK	INDEX	RANK	FOOD	HOUSING	UTILITY	TRANSP	HEALTH	MISC.
San Francisco	116	1	127	25	105	175	113	125	136	115
Seattle	115	2	107	11	110	107	53	121	146	112
Denver	114	3	104	7	101	122	77	111	109	98
MINNEAPOLIS/ST. PAUL	113	4	104	6	95	113	101	116	105	98
Anaheim-Sta. Ana	112	5	114	18	94	170	61	97	132	106
Washington	112	6	125	23	108	154	137	111	148	116
Kansas City	108	7	102	4	105	105	86	101	108	103
Oakland	108	8	120	20	101	174	72	124	134	104
Houston	107	9	102	5	105	84	115	105	108	107
St. Louis	106	10	98	2	96	99	100	98	101	97
Dallas	104	11	110	13	107	118	112	113	115	104
Pittsburg	103	12	96	1	92	93	94	106	95	98
Cleveland	102	13	101	3	98	95	101	107	108	102
Newark	100	14	126	24	110	153	137	106	151	114
Detroit	99	15	106	8	109	95	133	114	107	99
Atlanta	99	16	110	14	98	127	128	98	106	103
Los Angeles	97	17	114	17	97	155	63	99	136	115
Baltimore	95	18	106	9	102	114	98	108	106	105
Phoenix	95	19	108	12	100	117	102	107	123	105
Nassau-Suffolk	95	20	148	27	115	211	192	114	141	119
Chicago	93	21	122	21	102	105	123	107	108	104
San Diego	93	22	124	22	101	174	72	124	134	104
Tampa-St. Peters	92	23	107	10	103	110	115	100	109	108
Philadelphia	89	24	119	19	109	123	157	111	132	109
Miami-Hialeah	88	25	111	15	99	117	116	103	132	109
Riverside	87	26	112	16	99	137	107	107	119	104
New York	81	27	142	26	109	190	189	118	161	113
Boston-Salem	76	28	164	28	112	332	112	110	160	113

Sources: American Chamber of Commerce Researchers Association, Inter-City Cost of Living Index, 1st to 4th Quarter, 1986.  
Sales and Marketing Management, Disposable Personal Income and Metro Area Population, 1987 Survey of Buying Power.

(Standard of living is defined here as the "area price adjusted disposable personal income", i.e., per capita disposable personal income divided by the cost of living index. The standard of living index is derived from standard of living divided by the metro average standard of living = \$12,398.96).