



Minnesota

#44

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
44	43	44	34	26	42

Minnesota ranks relatively uncompetitively on the *Index* and is held back by its graduated state individual income tax with a top rate of 9.85 percent, among the highest in the country. Its taxpayers are also subject to alternative minimum taxes under both the individual and corporate income tax codes, adding complexity to the code. The state also recently created a new surtax on long-term capital gains income, such that the top marginal rate on long-term capital gains income is now higher than the top rate on ordinary income.

Minnesota also has high sales tax rates, with a 6.875 percent state sales tax rate and an average combined state and local sales tax rate of 8.12 percent. Minnesota's effective property tax rate on owner-occupied housing value is on the high side, and its split roll system imposes higher taxes on businesses and renters. Minnesota also has a 9.8 percent corporate income tax rate, one of the highest in the country. The state only allows 15 years of net operating loss (NOL) carryforwards, less generous than most states' rules, which either offer 20-year or unlimited carryforwards. Additionally, Minnesota's 20 percent first-year expensing allowance is less generous than the federal bonus depreciation allowance under Section 168(k).

Minnesota recently implemented a tax on global intangible low-taxed income (GILTI), which now needs to be added as dividend income by corporations operating within the state. State GILTI taxes are highly uncompetitive, as they have nothing to do with a company's activities in the state (or even in the US). Minnesota is also in the minority of states to still impose an estate tax on bequeathed property, with a top rate of 16 percent. Among the bright spots in Minnesota's tax code are its conformity to Section 179 and the fact that the state only partially taxes tangible personal property.