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## MINNESOTA'S INCOME TAXES AMONG MOST FAIR TO WORKING FAMILIES; Attention Needed to Maintain Tax Fairness

(St. Paul) – New analysis released today shows that Minnesota continues to be one of the nation's leaders in ensuring that the state's income tax does not push struggling families into poverty. Minnesota's poor families, minimum wage earners, and working poor families pay among the lowest income taxes in the country, according to a report by the Center on Budget and Policy Priorities. But Minnesota still has work to do to maintain a fair tax system, according to Nan Madden, Director of the Minnesota Budget Project at the Minnesota Council of Nonprofits.

Low-income Minnesotans still pay their share of taxes, primarily through sales taxes and property taxes. But positive features of Minnesota's tax system, including a progressive income tax and the state's Working Family Credit, ensure that struggling families aren't asked to shoulder a disproportionate share of the cost of providing government services.

The progressive nature of Minnesota's income tax is one reason why Minnesota has one of the fairest overall tax systems in the nation. The Minnesota Department of Revenue's *Tax Incidence Study* shows that, on average, Minnesotans pay 11.3% of their incomes in total state and local taxes. The exception is the 1% of the population with the highest incomes, who pay a significantly smaller share of their incomes — 9.0% — to support state and local government services.

"Ongoing attention is needed to the impact of decisions on tax fairness," says Madden. She warns that Minnesota has been losing ground in terms of tax fairness in recent years. For example, in the 2005 Legislative Session, policymakers chose to raise needed revenues through the property tax and tobacco taxes, despite the fact that these taxes ask for a larger contribution from low- and middle-income Minnesotans. "Minnesota should be proud of the way our income tax treats struggling families. But we need to make sure that other tax decisions aren't allowed to erode the progress we've made."

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### **Additional information:**

- Center on Budget and Policy Priorities state fact sheets, [www.cbpp.org/2-22-06sfp-states.htm](http://www.cbpp.org/2-22-06sfp-states.htm)
- Center on Budget and Policy Priorities, *The Impact of State Income Taxes on Low-Income Families in 2005*, [www.cbpp.org/2-22-06sfp.htm](http://www.cbpp.org/2-22-06sfp.htm)
- Minnesota Department of Revenue, *2005 Tax Incidence Study*, [www.taxes.state.mn.us](http://www.taxes.state.mn.us)

*The Minnesota Budget Project — an initiative of the Minnesota Council of Nonprofits — provides independent research, analysis, and advocacy on budget and tax issues, emphasizing their impact on low- and moderate-income Minnesotans and the organizations that serve them.*