Minnesota

#41

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
41 ▲ 2	41 ▲ 1	41 ▲ 3	32 –	25 ▼ 4	44 –

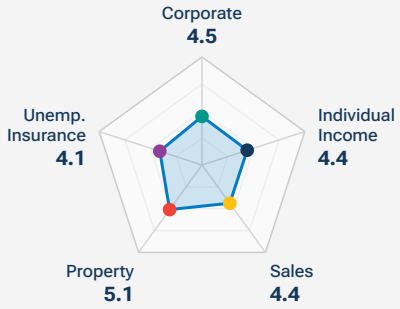
Minnesota ranks uncompetitively on the *Index* and is held back by its graduated state individual income tax with a top rate of 9.85 percent, among the highest in the country. Its taxpayers are also subject to alternative minimum taxes under both the individual and corporate income tax codes, adding complexity to the code. The state imposes a 1 percent high earner net investment income surtax, which applies to long-term capital gains, interest, dividends, and other investment income. As a result, taxpayers subject to the tax face a higher effective marginal rate on long-term capital gains income than 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 8.14 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 does not conform to the federal deductions for bonus depreciation under Section 168(k), nor does it conform to full expensing for research and experimentation expenses under Section 174A, making the state less attractive for businesses that make significant investments in machinery, equipment, and research and development.

Minnesota recently implemented a tax on global intangible low-taxed income (GILTI), which transitioned to a tax on net CFC tested income (NCTI) under the One Big Beautiful Bill Act (OBBBA). This tax on the international income of the subsidiaries of US-based multinational corporations is highly uncompetitive and has 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, imposing the tax 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.

Component scores

out of 10



Minnesota and its neighbors

Overall rank, 2027 Index, with change from 2026

South Dakota	#2	–
North Dakota	#12	▼ 2
Iowa	#18	▼ 1
Wisconsin	#20	–
Minnesota	**#41**	▲ 2