



OFFICE OF GOVERNOR MARK DAYTON

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Modernizing Our Sales Tax

Largest Cut to the Sales Tax Rate in State History

Governor Dayton's budget proposes the largest cut to the sales tax rate in state history, reducing the state sales tax rate by 20%. By broadening the base and lowering the rate, Governor Dayton's budget makes our tax system more fair, modern and sustainable. It helps put Main Street businesses on equal footing with online retailers and reduces our sales tax rate to be more in line with neighboring states.

» **Historic Rate Cut.** The Governor's budget cuts the sales tax rate by 20% –the largest sales tax rate reduction in Minnesota history. The new sales tax rate would be reduced from 6.875% to 5.5%. The last time Minnesota's sales tax rate was this low was 1981.

» **Making Our System Fair and Competitive.** The Governor's budget makes Minnesota more competitive by bringing our sales tax rate in line with surrounding states and leveling the playing field for Minnesotans businesses that compete with online retailers.

» **Modernizing an Outdated System.** In 1950, Minnesota consumers spent 61% of their income on goods rather than services. Today, Minnesota consumers spend just 33% of their income on goods rather than services. Expanding the sales tax base to reflect Minnesota's modern economy is a fair solution that will help stabilize state revenues.

» **Consumers Pay the Same Amount.** According to the Department of Revenue's analysis, the total amount of sales tax paid by consumers in Minnesota would remain the same. Thus, the average Minnesotan would pay close to the same amount of sales taxes for all purchases as they do now under current law.

» **No Longer the 7th Highest Rate.** Minnesota's current sales tax rate is the 7th highest in the nation. The Governor's budget would instead bring our rate to the 27th highest.

» **Some Goods and Services Still Exempt.** Food, medicine, and clothing under \$100 would remain exempt from the sales tax. Medical and burial services, as well as many other goods and services, would also remain exempt.

Sales Tax Changes by the Numbers

20%

The Governor's budget reduces Minnesota's sales tax rate by 20%

5.5%

Minnesotans will pay 5.5% in state sales tax, reduced from 6.875%

7th – 27th

Minnesota's sales tax rate goes from the 7th highest to 27th