Minnesota Tax Expenditure Evaluation: Home Mortgage Interest Deduction

Prepared for the Tax Expenditure Review Commission

by the Legislative Budget Office

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Prepared by the Legislative Budget Office on behalf of the Tax Expenditure Review Commission.

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For comments, questions, or concerns regarding this review please contact the Legislative Budget Office:

658 Cedar St.
Centennial Building, 1st floor
St. Paul, MN 55155

E-mail: lbo@lbo.mn.gov

Phone: 651-297-7146

Evaluation Team:

Vlad Fleurimond

Carlos Güereca

Annie Lemieux

Jordan Peoples

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Executive Summary

The Tax Expenditure Review Commission (TERC) is responsible for reviewing the effectiveness and efficiency of Minnesota's tax expenditure policies. The TERC has elected to review and evaluate Minnesota's Home Mortgage Interest Deduction (MID). The Minnesota MID is an itemized deduction for interest paid on debt secured by a principal or second residence. Mortgage interest is deductible on up to $750,00 of debt used to buy, build, or improve a qualifying residence. This report provides an assessment of the Minnesota Home MID, with consideration to the first eight components of tax expenditure review required under Minnesota Statutes 2025, section 3.8855, subdivision 5. The Commission may consider the findings of this report to recommend whether the expenditure be continued, repealed, or modified.

This evaluation assesses the Minnesota Home MID against its stated objective as defined by the TERC. The objective of the MID is to recognize expenses incurred in generating personal income or wealth and encouraging home ownership at all levels of income. Based on an analysis of the available evidence, the LBO concludes that the first objective is likely met. By mere existence and use, the Minnesota Home MID does seem to recognize costs incurred in generating wealth. However, the LBO can conclude that the deduction likely does not encourage home ownership across all levels of income based on an analysis of available income tax data as well as federal and state studies of similar policies. The majority, or 80.6%, of the MID benefit resides in the top three income deciles with household income above $95,361. Ultimately, the LBO concludes that while the deduction does recognize expenses incurred in generating personal income or wealth, it does not do so uniformly across all levels of income.

The Tax Expenditure Review Commission may choose to consider these findings in preparing a recommendation to the legislature to continue, repeal, or modify the tax expenditures, as is required of the Commission under Minnesota Statutes 2025, section 3.8855, subdivision 5.

Introduction

The Legislative Budget Office (LBO) evaluated the Minnesota Home Mortgage Interest Deduction (MID) on behalf of the Tax Expenditure Review Commission (TERC). The Minnesota MID allows a taxpayer to take itemized deductions for interest paid on debt secured by a principal or second residence. Mortgage interest is deductible on up to $750,000 of debt used to buy, build, or improve a qualifying residence. The estimated forgone revenue was estimated at $49.4 million in 2024 and expected to grow to $74.9 million by 2027.[1] In 2023, an estimated 118,452 returns claimed Minnesota MID. If the tax expenditure were repealed, each income tax rate could be reduced by 0.023 percentage points.

The Minnesota MID has a stated objective of recognizing expenses incurred in generating personal income or wealth and encouraging home ownership at all levels of income. This evaluation will review available data to determine the effectiveness and efficiency of the Minnesota MID in achieving this dual objective. The evaluation will also attempt to respond to the other components of review as outlined in Minnesota Statute 2025, section 3.8855, subdivision 5(a).

Through mere existence and utilization, the MID reduces income tax paid by individuals with a mortgage on a first or second residence and therefore does accomplish its objective of recognizing expenses incurred in generating personal income or wealth. Based on analysis of available MID claimant data as well as literature on similar federal and state policies, the federal MID does not encourage home ownership at all income levels. However, specifically for Minnesota, the aggregated data available for this evaluation does not allow for conclusive evidence on the Minnesota MID's ability to promote home ownership in Minnesota. A thorough discussion of the data and what can be learned from that data is included later in the evaluation. Additionally, the evaluation will review literature related to the effectiveness of mortgage interest deductions in promoting home ownership at the federal level and in other states. Included in the evaluation is information on other state and local programs with similar objectives. Finally, there is a discussion of potential modifications to the program which may influence the program to better accomplish its stated objectives.

[1] The 2024 Tax Expenditure Budget showed forgone revenue of $73.5 million in FY24 for this provision, growing to $90.9 million in FY27. Those estimates included a coding error that overstated the revenue loss. The estimates shown here are corrected and updated for the most recent economic forecast.

Background

Background on the Federal Home Mortgage Interest Deduction

A federal mortgage interest expense deduction (MID) has existed since the inception of the income tax in 1913. The initial federal deduction covered any business and personal interest expenses.[2] The deduction has since been limited to personal mortgage interest, with restrictions on deductible amounts and eligible homes.[3] The federal MID applies to a secured mortgage debt. Interest on a home equity line of credit is deductible at the federal level if the borrowed funds are used to buy, build, or significantly improve the home that the equity is secured against.[4]

Home mortgage interest was deductible without limitation until restrictions were enacted in 1987. The existing Minnesota MID and limit of $750,000 was adopted in 2019, aligning with the federal MID limit established by the Tax Cuts and Jobs Act (TCJA) of 2017.[5] Home equity interest is explicitly excluded from qualified residence deductible interest.[6] As of 2025, the U.S. Congress made permanent the federal MID limit that taxpayers who itemize their deductions are allowed to deduct from adjusted gross income (AGI) for interest paid on the first $750,000 for married joint filers or $375,000 for married individuals filing separately.[7]

Both the federal and Minnesota MID are itemized deductions. To claim the federal MID, taxpayers must forgo the federal standard deduction. The federal standard deduction was nearly doubled from 2017 to 2018 under the TCJA from $6,500 to $12,000 for individual filers, from $13,000 to $24,000 for joint filers, and from $9,550 to $18,000 for heads of households.[8] In Minnesota, the 2018 standard deduction amounts were $13,000 for married filing jointly, $9,550 for heads of household, and $6,500 for single or married filing separately.[9] In 2019, Minnesota adopted the same standard deduction amounts as the federal standard deduction and the deduction increased to $24,400 for married filing jointly, $12,200 for single or married filing separately, and $18,250 for

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[2] Joint Committee on Taxation. Present Law and Background Relating to Tax Incentives for Residential Real Estate. July 18, 2022. https://www.jct.gov/publications/2022/jcx-16-22/

[3] Congressional Research Service. *Tax Expenditures Compendium of Background Material on Individual Provisions, Committee on the Budget United States Senate*. December 2022. https://www.congress.gov/117/cprt/SPRT49569/CPRT-117SPRT49569.pdf

[4] Internal Revenue Service. "Publication 936 (2023), Home Mortgage Interest Deduction." Last updated January 10, 2024. https://www.irs.gov/publications/p936

[5] Laws of Minnesota 2019, 1st Special Session, chapter 6, article 1, subdivision 5

[6] Minnesota Statutes 2025, section 290.0122, subdivision 5(1).

[7] United States Congress, "H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act. Section 70108" July 4, 2025. https://www.congress.gov/bill/119th-congress/house-bill/1.

[8] Tax Policy Center, "How Did the TCJA Change the Standard Deduction and Itemized Deductions?," January 2024, https://taxpolicycenter.org/briefing-book/how-did-tcja-change-standard-deduction-and-itemized-deductions.

[9] Minnesota Department of Revenue, "Revenue Notice #18-01: Individual Income Tax- Standard Deduction or Election to Itemize-Tax Year 2018," https://www.revenue.state.mn.us/revenue-notice/18-01-individual-income-tax-standard-deduction-or-election-itemize-tax-year-2018

heads of household.[10] The standard deduction amounts are indexed to inflation annually.[11] The increase of the standard deduction has led to fewer taxpayers itemizing their deductions and thus fewer taxpayers claiming the MID.[12] Additionally, the TCJA lowered the deduction limit from $1 million to $750,000.

Claiming the Minnesota Home Mortgage Interest Deduction

In Minnesota, households choose between taking the standard deduction or filing with itemized deductions, including the Minnesota MID.[13] Beneficiaries of this tax incentive are homeowners with mortgage interest payments who itemize deductions. The MID reduces the amount of income tax revenue that would otherwise be generated to the state. State income tax collections are deposited in the state General Fund except as directed by Minnesota Statutes, section 290.62. This provision is administered by the Minnesota Department of Revenue (DOR).

A taxpayer may claim the Minnesota MID for interest paid on debt secured for a principal or second residence. Mortgage interest is deductible on up to $750,000 of debt used to buy, build, or improve a principal or second residence. If the debt is used for any other purpose, the threshold is $100,000. If more than one home is involved, the threshold applies to the combined amount of debt. The MID is one of several itemized deductions that are subject to a threshold amount.[14] The MID is claimed using the Schedule M1SA, Minnesota Itemized Deduction worksheet included with a Minnesota tax return.[15]

Prior to 2017, Minnesota statutes had followed the Federal Internal Revenue Code, utilizing modifications to account for any difference between federal and Minnesota laws.[16] In 2017, the TCJA made amendments to the Internal Revenue Code at the

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[10] Minnesota House Research, "Minnesota taxable Income November 2019," November 2019, https://www.house.mn.gov/hrd/pubs/ss/ssmti.pdf

[11] For TY2026, the federal standard deduction is indexed to be $16,100 for single; married filing separately, $32,200 for married filing jointly; surviving spouses, and $24,150 for heads of households; Internal Revenue Code, "IRS releases tax inflation adjustments for tax year 2026," October 9, 2025, https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill

[12] Hembre, Erik and Dantas, Raissa, "Tax Incentives and Housing Decisions: Effects of the Tax Cut and Jobs Act," October 8, 2021. Page 5. https://ssrn.com/abstract=3779520; Other provisions of the TCJA that impacted filers decision to itemize or take the standard deduction include, but are not limited to, the State and Local Taxes (SALT) deduction cap of $10,000 for tax years 2018-2025 and the increase of the limit on deductions for charitable contributions from 50 to 60 percent of adjusted gross income (AGI).; Tax Policy Center, "How did the TCJA and OBBBA change the standard deduction and itemized deductions?," https://taxpolicycenter.org/briefing-book/how-did-tcja-change-standard-deduction-and-itemized-deductions

[13] "Minnesota Standard Deduction," Minnesota Department of Revenue, https://www.revenue.state.mn.us/minnesota-standard-deduction.

[14] For information on other itemized deductions see Schedule M1SA, Minnesota Itemized Deductions. https://www.revenue.state.mn.us/sites/default/files/2025-12/m1sa-25_0.pdf

[15] Minnesota Department of Revenue, "2024 Schedule M1SA, Minnesota Itemized Deductions," accessed May 5, 2025, https://www.revenue.state.mn.us/sites/default/files/2024-12/m1sa-24.pdf.

[16] Year references are tax year unless otherwise indicated.

federal level. Minnesota did not conform to those amendments until 2019.[17] In 2018, the MID was a separate subtraction in the Minnesota tax return. In 2019, Minnesota implemented its own set of amendments for allowable itemized deductions, including the MID.[18]

Review of Other States

In the US, nine states do not impose a state individual income tax and as such do not offer a state-level MID. Twelve states do not have a state-specific deduction for mortgage interest; however, twenty-nine states do have a state-specific deduction for mortgage interest.[19] Within surrounding midwestern states, Illinois and South Dakota do not allow a state-specific MID, North Dakota conforms to the federal deduction allowing for a state-specific MID, and Iowa and Wisconsin do not allow for a state-specific MID with some exceptions.[20] South Dakota does not impose an income tax. In Iowa, filing conforms to the federal MID; however, for tax years beginning on or after Jan 1, 2023 Iowa utilizes the federal standard or itemized deduction and no longer has a state specific standard or itemized deduction.[21] In Wisconsin, the Itemized Deductions Tax Credit allows taxpayers whose total itemized deduction exceeds the standard deduction to claim a nonrefundable credit. This credit includes qualifying mortgage interest. [22]

Analysis

The analysis portion of the evaluation will attempt to determine if the Minnesota MID is achieving its objectives, review the administrative burden of the Minnesota MID for both the beneficiary and the state, and review of tax policies and direct spend programs in Minnesota and at the federal level attempting to accomplish similar objectives. First, the evaluation includes an analysis of summary tax filing data from DOR Tax Research from tax year 2017-2023, including summary filing data by income decile. Income deciles assign the state's total households based on income across ten equal segments, called income deciles, varying in the number of households within each decile. This provides more detail on the concentration of income and the distribution of

[17] Minnesota Department of Revenue Notice 18-01: Individual Income Tax- Standard Deduction or Election to Itemize- Tax Year 2018, Minnesota Department of Revenue. https://www.revenue.state.mn.us/sites/default/files/2018-09/RN-18-01.pdf

[18] Minnesota Statutes 2025, Chapter 290.0122, Subdivision 5.

[19] Bloomberg Tax Database Mortgage Interest Deductions by State Chart, Generated May 15, 2025, July 10, 2025.

[20] Bloomberg Tax Database Mortgage Interest Deductions by State Chart, Generated May 15, 2025, July 10, 2025.

[21] Bloomberg Tax Database Mortgage Interest Deductions by State Chart, Generated May 15, 2025, July 10, 2025.; Iowa Department of Revenue, "IA1040 Income Tax Return 2023," page 3, https://revenue.iowa.gov/media/2811/download?inline

[22] State of Wisconsin Joint Survey Committee on Tax Exemptions, 2025 Assembly Bill 870, https://docs.legis.wisconsin.gov/2025/related/fe/ab870/ab870_jscte.pdf ; The following is taken from the Wisconsin Joint Survey Committee on Tax Exemptions for further context. "Under state law, if allowable itemized deductions exceed the sliding scale standard deduction, the excess amount is eligible for a nonrefundable itemized deduction credit (IDC) of 5%. Allowable expenses for calculating the state credit generally conform to certain expenses permitted as federal itemized deductions."

MID benefits. Second, a review of related literature is included to understand the effectiveness of MID at both the state and federal level in the U.S. in encouraging home ownership. Third, the Schedule M1SA form was reviewed to understand the administrative burden from the perspective of the filer, and the DOR Tax Operations Division was consulted to better understand the administrative burden associated with processing itemized deductions.

Two main findings emerge from this analysis. First, fewer Minnesotans claimed the MID after the enactment of the TCJA of 2017 due to the increase of the standard deduction and lowering of the limit from $1 million to $750,000.[23] Second, high income Minnesotans receive most of the MID benefit. As such, the LBO concludes that the Minnesota MID does seem to recognize costs incurred in generating wealth. However, based on available data and literature, the MID likely does not encourage home ownership at all levels of income.

[23] Other provisions of the TCJA that impacted filers decision to itemize or take the standard deduction include, but are not limited to, the State and Local Taxes (SALT) deduction cap of $10,000 for tax years 2018-2025 and the increase of the limit on deductions for charitable contributions from 50 to 60 percent of adjusted gross income (AGI).; Tax Policy Center, "How did the TCJA and OBBBA change the standard deduction and itemized deductions?"

Data Analysis

This section outlines Minnesota data on itemized deduction utilization, MID claims, and incidence of the Minnesota MID. The data reveals that MID claims fell after 2017 and high-income Minnesotans disproportionately benefit from the incentive. Choosing the itemized deduction over the standard deduction is a pre-requisite for claiming the MID. Thus, Figure 1 provides a breakdown of the percentage of Minnesotans who itemize their deductions by income decile.[24] Overall, Minnesota saw a decrease in itemized filers after the 2017 TCJA doubled the standard deduction and lowered the limit from $1 million to $750,000. The federal changes to the standard deduction and itemized deductions were effective for tax years 2018-2025 and have since become permanent. Minnesota's itemized deductions were established in 2019 and are separate from the federal provisions. In 2017, 59% of Minnesotans chose the itemized deduction, dropping to only 6% in 2021 and remaining at 6% from 2021-2023. Additionally, across all years, high income Minnesotans are more likely to itemize their deductions.

Figure 1. Percentage of Minnesotan's that Itemize by Income Decile Tax Year 2017-2023

Income Decile*	2017	2018	2019	2020	2021	2022	2023
$37,585 or Less	44%	6%	2%	2%	1%	2%	1%
$37,586 - $58,295	52%	16%	4%	4%	3%	3%	3%
$58,296 - $79,562	61%	25%	7%	6%	5%	5%	5%
$79,563 - $102,858	73%	29%	8%	7%	6%	6%	7%
$102,859 - $129,945	87%	38%	10%	9%	7%	7%	7%
$129,946 - $166,910	94%	49%	14%	12%	10%	9%	9%
$166,911 - $232,821	98%	59%	22%	18%	14%	13%	13%
$232,822 - $384,891	99%	61%	36%	31%	25%	23%	23%
$384,892 - $977,385	99%	57%	44%	39%	44%	43%	43%
$977,386 or More	98%	49%	47%	45%	72%	71%	68%
All	**59%**	**20%**	**7%**	**6%**	**6%**	**6%**	**6%**

Data Source: Minnesota Department of Revenue Tax Research Division

*Note: Income deciles listed in this column refer to 2017 income deciles. For income decile ranges for tax years 2017-2023 see report Appendix A.

[24] The Minnesota Department of Revenue calculated income deciles by ranking households from lowest to highest income and creating groups representing equal amounts of total income.[24] For example, in 2024, each income decile contained a population producing $30 billion in income, for a total of $300 billion across all income deciles. The first income decile contained 1,236,750 households, while the tenth income decile contained 3,426 households. Appendix A provides the income breakdown by decile from tax year 2017-2021.

Figure 2 presents Minnesota MID claims for tax years 2017-2023.[25] MID claims steadily decrease each year from 2017-2022, with an overall decrease of 84% from tax year 2017 to 2023. That drop can be explained by the 2017 TCJA, which doubled the standard deduction and lowered the deduction limit from $1 million to $750,000. Further, while the TCJA was passed in 2017, Minnesota did not require conformity to the 2017 TCJA until 2019 when Minnesota adopted its own standard deduction matching the federal amount.[26] Thus, the drop in the number of claimants from 2018 to 2019 shows the largest yearly percentage decrease, with MID claims falling by 68%.

Figure 2. Minnesota Home Mortgage Interest Deduction Claimants, Tax Year 2017-2023

Tax Year	Claimants
2017*	750,389
2018**	445,916
2019	142,364
2020	124,060
2021	116,335***
2022	112,864
2023	118,452

Data Source: Minnesota Department of Revenue Tax Research Division

*Note: Tax Year 2017 claims data is for deductions claimed on the federal schedule A. Tax Years 2018 and beyond data is referring to claims made on the Minnesota Schedule M1SA.

**Note: Minnesota did not conform to the TCJA provisions yet for this deduction.

***Note: This is an updated estimate that was provided by DOR tax research and differs from the total claimant count provided in the 2024 Tax Expenditure Budget.

[25] For a table of new MN MID claimants from tax year 2017 to tax year 2023 see Appendix B. Minnesota Home Mortgage Interest Deduction New Claimants by Tax Year.

[26] Laws of Minnesota 2019, chapter 6, article 1, section 17.

Figure 3 shows the percentage of Minnesota MID claims within each income decile. For example, in 2017, 30% of filers in the tenth decile claimed the MID. Overall, the percentage of MID claimants in each income decile decreases from 2017 to 2021 and remains relatively consistent from 2022-2023. This is consistent with the TCJA increase the standard deduction. The ninth and tenth deciles are the only income deciles to show growth from 2020-2021 but then flatten from 2021-2023.[27]

Figure 3. Percent of Filers Claiming the Minnesota Home Mortgage Interest Deduction by Income Decile Tax Year 2017-2023

Income Decile	2017*	2018	2019	2020	2021	2022	2023
First	5%	3%	1%	1%	1%	1%	1%
Second	24%	12%	3%	2%	2%	2%	2%
Third	35%	19%	5%	4%	3%	3%	3%
Fourth	48%	23%	6%	5%	4%	4%	4%
Fifth	60%	30%	7%	6%	5%	5%	5%
Sixth	69%	41%	10%	9%	7%	6%	6%
Seventh	73%	48%	17%	14%	10%	9%	9%
Eighth	68%	44%	26%	23%	17%	16%	16%
Ninth	58%	32%	26%	24%	26%	25%	24%
Tenth	30%	9%	10%	9%	19%	17%	16%
All	27%	15%	5%	4%	4%	4%	4%

Data Source: Minnesota Department of Revenue Tax Research Division

*Note: Tax Year 2017 claims data is reported for deductions claimed on the federal schedule A. Tax Years 2018 and beyond data is referring to claims made on the Minnesota Schedule M1SA.

Note: For income decile ranges for tax years 2017-2023 see report Appendix A.

[27] The Minnesota Department of revenue calculated income deciles by ranking households from lowest to highest income and creating groups representing equal amounts of total income. For example, in 2024, each income decile contained a population producing $30 billion in income, for a total of $300 billion across all income deciles. The first income decile contained 1,236,750 households, while the tenth income decile contained 3,426 households. It is important to note that the 9th and 10th deciles have significantly fewer households and any shift in MID claimants would have an impact on the percent of filers claiming the MID. Appendix A provides the income breakdown by decile from Tax Year 2017-2021.

Figure 4 shows the average deduction received by MID claimants by income decile. The tenth decile consistently has the highest average deduction. Across income deciles, average deduction values increased between TY2017 and TY2019. In TY2021 the average deduction within the tenth decile was nearly double that of the first through fifth deciles. For tax year 2023, the average deduction across all income deciles was $15,810. For the first through sixth income decile the average 2023 deduction was between $12,680 (second decile) and $14,473 (sixth decile). For the seventh through tenth decile the average 2023 deduction was between $16,204 (seventh decile) and $21,439 (tenth decile).[28] From TY2022 to TY2023, average MID increased with the exception of the tenth decile and the difference in average deduction from the first to tenth decile decreased.

Figure 4. Average Home Mortgage Interest Deduction by Income Decile Tax Year 2017-2021

Income Decile	TY17*	TY18	TY19	TY20	TY21	TY22	TY23
First	$5,657	$7,397	$11,480	$11,648	$10,908	$14,334	$14,016
Second	$5,721	$8,248	$10,672	$9,703	$11,807	$10,796	$12,680
Third	$6,236	$7,407	$10,353	$9,962	$9,148	$12,777	$12,912
Fourth	$6,926	$8,238	$10,213	$10,311	$9,838	$9,780	$13,700
Fifth	$7,422	$9,212	$11,637	$11,110	$10,708	$11,748	$13,191
Sixth	$7,880	$10,223	$13,188	$12,537	$11,130	$11,479	$14,473
Seventh	$9,577	$11,740	$15,128	$14,464	$12,692	$12,785	$16,204
Eighth	$10,995	$14,413	$17,049	$16,274	$14,618	$15,013	$18,048
Ninth	$15,135	$19,749	$21,190	$20,153	$16,924	$17,380	$19,947
Tenth	$18,447	$36,742	$40,125	$25,277	$20,304	$23,521	$21,439
All	$7,507	$9,761	$13,917	$13,234	$12,771	$13,697	$15,810

Data Source: Minnesota Department of Revenue Tax Research Division

*Note: Tax Year 2017 claims data is for deductions claimed on the federal schedule A. Tax Years 2018 and beyond data is referring to claims made on the Minnesota Schedule M1SA.

Note: For income decile ranges for tax years 2017-2023 see report Appendix A.

[28] Note that the Minnesota MID is subject to the itemized deduction income phase-out of up to 80% for taxpayers with an adjusted gross income (AGI) greater than $238,950 with the maximum phaseout occurring for incomes greater than $1,083,150; Minnesota Department of Revenue, "Phase-Out of Itemized Deductions Addition," https://www.revenue.state.mn.us/phase-out-itemized-deductions-addition

Figure 5 shows the distribution of total income tax filers versus the distribution of MID benefits by income decile. In tax year 2021, deciles 1-3 represent 66% of total filers but only 20% of MID benefits. For the same year, deciles 7-10 represent only 10% of all filers but over 50% of MID benefits. Similar conclusions can be drawn for TY 2022 and TY 2023. Overall, high income deciles disproportionately benefit from the MID.

Figure 5. Distribution of Tax Filers vs Distribution of Minnesota Home Mortgage Interest Deduction Benefits Tax Year 2021-2023

	2021 Distribution		2022 Distribution		2023 Distribution	
Income Decile	**Total Filers**	**Total Benefits**	**Total Filers**	**Total Benefits**	**Total Filers**	**Total Benefits**
First	39%	6%	37%	7%	36%	5%
Second	16%	7%	16%	5%	16%	5%
Third	11%	7%	12%	9%	12%	8%
Fourth	9%	8%	9%	7%	9%	9%
Fifth	7%	8%	8%	8%	8%	8%
Sixth	6%	9%	7%	9%	7%	10%
Seventh	4%	11%	5%	10%	5%	12%
Eighth	3%	17%	4%	17%	4%	18%
Ninth	2%	19%	2%	19%	2%	19%
Tenth	1%	8%	1%	7%	1%	5%

Data Source: Data from Minnesota Department of Revenue Tax Research. Calculation of Distribution by the LBO

Note: For an expanded view of this table, see Appendix C. Distribution of MID Filers distribution of benefits TY2017-2023.

Note: For income decile ranges for tax years 2017-2023 see report Appendix A.

Evidence on Home Mortgage Interest Deduction at the Federal and State Level

Due to lack of individual MID claimant data, the LBO is unable to link the Minnesota MID to home ownership. Therefore, this section relies on evidence on the MID at the federal level as well as in other states to infer on the impact of the Minnesota MID on home ownership. The LBO paid particular attention to studies that focus on the impact of the MID at the federal level before and after the 2017 Tax Cuts and Jobs Act (TCJA). Most studies focus on the federal MID, with one study discussing Oregon's state-level MID. As mentioned, one key provision of the TCJA was the increase of the standard deduction, impacting itemized deductions such as the MID. The U.S. Congress extended this provision indefinitely in 2025 under Public Law 119-21 Section 70108.[29] As such, analyses are broken down by pre- and post-TCJA to understand the MID impact during both tax environments.[30]

A Congressional Research Service review of the evidence reveals that the two main populations who benefit from the federal MID were higher-income earners and new homebuyers individuals with large mortgages.[31] The percentage of returns claiming the federal MID prior to the TCJA hovered around 20-25% from 1991-2012, with 74.4 % of those returns coming from filers at an income level of $200,000 and over.[32]

Federal MID claims significantly decreased after the TCJA .[33] Similar to pre-TCJA studies of the federal MID, the consensus seems to be that the MID does not significantly encourage home ownership, while it disproportionately impacts homeowners in higher income tax brackets.[34] Estimates showed that in 2024, taxpayers earning more than $200,000 in adjusted gross income (AGI) accounted for 49% of MID claimants and received 71% of the total tax expenditure benefit.[35] By design, the federal MID does not target downpayment affordability, a significant barrier to home ownership.[36] Other significant factors that impact homeownership in Minnesota have been identified as an increase in home prices and interest rates and a small number of affordable housing on the market.[37] Further, a Federal Reserve Bank of St. Louis analysis concluded that the MID encourages the purchase and construction of larger homes.[38] Interestingly, there is evidence that repealing the MID would increase the U.S. home ownership rate by approximately five percentage points.[39] This would occur

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[29] Congress.gov. "Text H.R.1 119th Congress (2025-2026): One Big Beautiful Bill Act." July 4, 2025. https://www.congress.gov/bill/119th-congress/house-bill/1/text.

[30] A survey of policy alternatives to the MID conducted for other countries showed that Australia and Canada offer first-time homebuyer tax-preference saving opportunities, with Canada providing a tax credit for first-time homebuyers; Mark Keightley, "An economic analysis of the mortgage interest deduction," June 25, 2020, https://crsreports.congress.gov/product/pdf/R/R46429/1.

[31] Congressional Research Service, An Analysis of the Geographic Distribution of the Mortgage Interest Deduction, July 19, 2017, https://crsreports.congress.gov/product/pdf/R/R43385

[32] Dean Stansel and Anthony Randazzo, "Unmasking the Mortgage Interest Deduction: Who Benefits and by How Much? ," ***Reason*** , Policy Study 421, December 2013, https://doi.org/https://static1.squarespace.com/static/600df04f6c455e4aedfcdc63/t/600df71930cc43613ef45754/1611527964600/mortgage_interest_deduction_2013_update.pdf.

[33] Mark Keightley, "An economic analysis of the mortgage interest deduction."

[34] Emma Waters, Owen Minott, and Andrew Lautz, "Is It Time for Congress to Reconsider the Mortgage Interest Deduction?," Bipartisan Policy Center, November 2, 2023, https://bipartisanpolicy.org/explainer/is-it-time-for-congress-to-reconsider-the-mortgage-interest-deduction/.

[35] United States Joint Committee on Taxation, "Estimates of Federal Tax Expenditures for Fiscal years 2024-2028," https://www.jct.gov/publications/2024/jcx-48-24/

[36] Mark Keightley, An economic analysis of the mortgage interest deduction.

[37] Minnesota Housing, *Key 2025 Housing Issues and Trends,* https://www.mnhousing.gov/documents/36581/mnh_chartbook_keyneeds_issues_fnl_optiona/view

[38] Christine Smith, "Why Economists Don't Like the Mortgage Interest Deduction," *Federal Reserve Bank of St. Louis*, May 8, 2018, https://www.stlouisfed.org/open-vault/2018/may/why-economists-dont-like-mortgage-interest-deduction

[39] William Emmons, "Fewer Tax Breaks for Homeowners: A Good Thing?" *Federal Reserve Bank of St. Louis,* March 20, 2018, https://www.stlouisfed.org/on-the-economy/2018/march/fewer-tax-breaks-homeowners-good-thing#_ednref3 ; Kamila Sommer and Paul Sullivan, "Implications of US Tax Policy for House Prices, Rents and Homeownership," American Economic Review 2018, 108(2): 241–274, https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20141751

through a fall in equilibrium home prices and a rise in rent, creating a more affordable home ownership market in comparison to renting.[40] Further, a Congressional Research Service analysis found the MID to be ineffective in promoting home ownership due to down payments−not mortgages−being a higher barrier to home ownership.

At the state level, the Oregon Audits Division and Secretary of State conducted an audit of the Oregon MID. The evaluation itself was conducted based on six principles: ability to pay, fairness, equity, efficiency, even distribution, and regressivity. The evaluation included an analysis of available tax data as well as a survey of home ownership centers across the state that provide housing counseling services to understand client utilization. The audit concluded that the MID is regressive, as higher-income taxpayers in the state received most of the benefit. Additionally, the Oregon audit cited high home prices, down payments, and credit issues as the top barriers to home ownership in the state and concluded that the MID does not address these barriers.[41]

Overall, federal studies of the MID suggest that higher-income earners disproportionately benefit from the deduction. The same findings hold for Oregon. Fewer people claimed federal MID after the TCJA due to the higher standard deduction and lowering of the deduction limit from $1 million to $750,000. Further, MID does not seem to lead to an increase in overall home ownership rates. Barriers to home ownership such as downpayment affordability still persist, which the MID did not directly target.[42]

Administrative Burden

Administrative Burden for Taxpayers

The Minnesota MID itemized deduction is administered by the DOR. It is an itemized deduction available to all Minnesotans under specific criteria. Based on the eligibility criteria, the number of supporting documents needed to receive this incentive, the calculation of the incentive, and whether or not another tax return is needed to be filed to receive this incentive, the LBO scored this tax incentive as “easy” in terms of complexity from the lens of a taxpayer as compared to other tax expenditures.[43] Claimants file a Schedule M1SA to itemize deductions and report home mortgage interest and points from federal form 1098 as well as home mortgage interest and points

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[40] Kamila Sommer and Paul Sullivan, “Implications of US Tax Policy for House Prices, Rents and Homeownership.”
[41] Oregon Secretary of State and Audits Division, “Without Legislative Action the Mortgage Interest Deduction Will Remain Regressive and Inequitable,” March 2022, https://sos.oregon.gov/audits/Documents/2022-11.pdf.
[42] For more data on Federal MID claims before and after the passage of the Tax Cuts and Jobs Act see Appendix D. Federal MID Benefit Pre and Post TCJA.
[43] An example of a tax incentive determined to be administratively burdensome by the LBO is the Minnesota Marriage Credit.

not reported on form 1098.[44] There is no income threshold to claim the MID, and no additional filing is required.[45]

Administrative Burden for the Department of Revenue

The DOR Tax Operations Division was consulted on the administrative burden of the MID. All income tax returns are subject to a systematic review within the DOR system based on specific rules and audit criteria that cannot be disclosed due to data privacy rules. However, if a return including the M1SA itemized deduction paperwork meets a certain threshold, the return will be manually reviewed by an auditor. In general, returns filed taking the standard deduction as opposed to itemizing deductions are less administratively burdensome, as there is not an additional schedule to review. If the MID was removed from the M1SA itemized deduction paperwork, there would be an insignificant reduction in administrative burden. On average, the DOR Tax Operations Division reported utilizing approximately 0.5 full-time equivalent (FTE) looking at specific issues with the M1SA itemized deduction paperwork as a part of reviewing the overall M1 returns.[46]

Fiscal Impacts of Other State and Federal Programs and Comparison to a Direct Payment Program

Minnesota Housing, the state's housing finance agency, focuses on financing and facilitating housing initiatives to assist in the development, rental, purchase, and maintenance of housing for low- and moderate-income Minnesotans. In 2025, the agency provided $1.8 billion for all agency activities, serving 73,000 households.[47] The main types of programs funded through Minnesota Housing targeting home ownership include home mortgage programs such as downpayment assistance for first-generation homebuyers, homebuyer education, funds for manufactured housing and communities, as well as housing development and rehabilitation programs.[48] In addition to resources offered by Minnesota Housing, the Minnesota Office of the Attorney General, the Minnesota Homeownership Center, and many counties throughout Minnesota offer

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[44] Points are defined by the IRS as "certain charges paid, or treated as paid, by a borrower to obtain a home mortgage." This may include "loan origination fees, maximum loan charges, loan discount or discount points."; Internal Revenue Service, Publication 936 (2025), Home Mortgage Interest Deduction, https://www.irs.gov/publications/p936#en_US_2025_publink1000229939

[45] 2024 Schedule M1SA, Minnesota Itemized Deductions, accessed August 12, 2025, https://www.revenue.state.mn.us/sites/default/files/2024-12/m1sa-24.pdf.; Note that the Minnesota MID is subject to the itemized deduction income phase-out of up to 80% for taxpayers with an adjusted gross income (AGI) greater than $238,950 with the maximum phaseout occurring for incomes greater than $1,083,150; Minnesota Department of Revenue, "Phase-Out of Itemized Deductions Addition," https://www.revenue.state.mn.us/phase-out-itemized-deductions-addition

[46] Minnesota Department of Revenue Tax Operations Unit, Email Exchange to LBO, July 11, 2025.

[47] "About Us", *Minnesota Housing*, accessed May 12, 2025, https://www.mnhousing.gov/about-us.html.

[48] "Affordable Housing Plan 2024-2025," MN Housing, accessed May 7, 2025, https://www.mnhousing.gov/content/published/api/v1.1/assets/CONT9EB42D9934F2407FB05473BC74A93A58/native?cb=_cache_4a38&channelToken=294436b7dd6c4570988cae88f0ee7c90&download=true.

mortgage fact sheets and informational resources for those facing mortgage payment difficulties.[49] To provide a scale of the MID as compared to other housing programs in the state, in fiscal year 2026 the forgone revenue attributable to the MID exceeded approximately 26% of the budget of Minnesota Housing.[50] Overall, in fiscal year 2026 the forgone revenue of the MID exceeded that of all but two housing related state direct spending programs: the property tax refund and the state rental assistance program.[51]

There are numerous direct spending programs at the county, state, and federal level to promote home ownership and assist with housing associated costs.[52] Each program reviewed will be presented with background information and available data. While there is no income threshold for the MID, it is important to note that some Minnesota Housing and other federal programs do have income requirements. Participation in Minnesota Housing programs may also overlap. For example, someone who receives assistance from a downpayment assistance program may also receive a home mortgage loan from Minnesota Housing. Additionally, the included programs have various income and demographic requirements that are detailed below. This differs from the Home Mortgage Interest Deduction which does not have an associated income or demographic requirement. Available data on direct programs and other state and federal programs is presented in summation for each program with Minnesota participation details.

This review was limited to the following state-level programs:

- Start Up and Step Up Loan Programs
- Homeownership Capacity Program
- Homebuyer Education, Counseling and Training (HECAT)

At the federal level, this review was limited to the following programs:

- Homeowner Assistance Fund
- Federal Home Mortgage Interest Deduction

Other State and Direct Payment Programs

The Start Up and Step Up programs are financed by Minnesota Housing through the selling of agency-backed bonds. Start Up is an amortizing loan program for first-time homebuyers. The Start Up program has income (up to $152, 200), home purchase price

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[49] "Mortgages & Foreclosure," Mortgages & foreclosure, accessed May 12, 2025, https://www.ag.state.mn.us/Consumer/Housing/Mortgages.asp.; "About the Minnesota Homeownership Center," Minnesota Homeownership Center, January 31, 2025, https://www.hocmn.org/about-the-center/.
[50] Estimate provided by House Research and House Fiscal Analysis Department. Estimate includes budgetary appropriations, debt service payments on appropriations bonds, and earmarks of the metropolitan sales tax for housing.
[51] Estimate provided by House Research and House Fiscal Analysis Department.
[52] For a high-level overview of the State and Federal housing landscape, see Appendix E. State and Federal Housing Landscape.

(limits up to $515,200 for one-unit and up to $659,550 for two-unit properties), and downpayment and closing cost loan income limits that vary by region. The Step Up program has income (up to $197,900), home purchase price (limits up to $515,200 for one-unit and up to $659,550 for two-unit properties), and downpayment and closing cost loan income limits that vary by region. The bond is then paid back to investors by collecting mortgage repayments from borrowers. The interest rates associated with the Start Up and Step Up programs are competitive with the private market. Both programs also have a minimum credit score requirement and homebuyer education course requirement. Figure 6 displays the number of households served, as well as the total amount of assistance provided through the Start Up and Step Up programs. MID claimants would be eligible to benefit from the programs listed below. While it is difficult to analyze the overlap between MID claimants and other program participants, Figures 6, 7, and 8 provide data on overall Minnesota program participation from 2020-2024.

Figure 6. Start Up and Step Up Program Data from 2020-2024

Year	Start Up Program - Assistance Provided $	Start Up Program - Households Served	Step Up Program - Assistance Provided $	Step Up Program - Households Served
2020	$822,377,858	4,330	$300,563,914	1,337
2021	$908,326,675	4,399	$261,822,778	1,046
2022	$949,438,557	4,413	$329,085,599	1,182
2023	$774,353,468	3,547	$270,776,516	938
2024	$915,849,788	4,135	$228,722,808	822

Data Source: Minnesota Housing Finance Agency Annual Program Assessment Reports 2020-2024

Figure 7 shows the assistance provided and number of households served for Deferred Payment Loan (DPL) and Monthly Payment Loan (MPL) programs from 2020-2024. The DPL program is intended for qualifying Start Up program participants and are loans of up to $18,000 with no interest or monthly payments.[53] At the end of the mortgage term, balloon payments are due. Income limits vary based on household size and region. The MPL program is available for either Start Up or Step Up program participants. It is intended for populations that would qualify for any Minnesota Housing first mortgage loan program and up to a $14,000 loan with a ten-year repayment term equal to a participants first mortgage rate.[54]

Figure 7. Minnesota Housing Program Participation 2020-2024*

Year	Deferred Payment Loan (DPL)- Assistance Provided	DPL Households Served	Monthly Payment Loan (MPL)- Assistance Provided	MPL Households Served
2020	$29,293,275	3,361	$21,443,919	1,995
2021	$35,868,677	3,414	$24,069,786	1,866
2022	$40,129,477	3,403	$29,419,658	2,089
2023	$40,598,520	2,838	$21,315,477	1,473
2024	$54,297,786	3,400	$20,156,677	1,345

Data Source: Minnesota Housing Finance Agency Annual Program Assessment Reports 2020-2024

*Note: Program beneficiaries represented in Figure 7 overlap with the beneficiaries represented in Figure 6.

[53] "Homeownership Programs," Minnesota Housing, https://www.mnhousing.gov/home/homeownership/buy-home-refinance
[54] "Homeownership Programs," Minnesota Housing.

The Homeownership Education, Counseling and Training (HECAT) program funds eligible organizations to offer homebuyer counseling and training that includes homebuyer education classes, financial wellness classes, foreclosure and reverse mortgage counseling. The Homeownership Capacity program funds eligible nonprofits and government organizations to provide homeownership and financial training to Black, Indigenous, and People of Color (BIPOC) as well as low-income renters who intend to purchase a home. HECAT is funded by appropriations and other funds. The Homeownership Capacity program is funded by appropriations. Figure 8 displays the number of households served, as well as the total funds allocated to eligible nonprofit and government entities providing counseling and training through the HECAT and Homeownership Capacity programs.

Figure 8. HECAT and Homeownership Capacity Program Data from 2020-2024

Year	HECAT Program - Assistance Provided $	HECAT Program - Households Served	Homeownership Capacity Program - Assistance Provided $	Homeownership Capacity Program - Households Served
2020	$1,424,595	6,986	$1,253,009	1,010
2021	$1,424,595	7,425	$1,112,208	839
2022	$1,213,134	6,494	$1,063,300	808
2023	$1,508,719	6,337	$921,300	739
2024	$2,253,392	5,180	$721,700	728

Data Source: Minnesota Housing Finance Agency Annual Program Assessment Reports 2020-2024

In 2024, Minnesota Housing assisted 73,648 total households.[55] Over this period, approximately 4,745 households utilized DPL and MPL funds for downpayment assistance; 4,957 households utilized HECAT and Homeownership Capacity programs for homebuyer education training; and .and 4,957 households received Start Up or Step Up mortgages supported by agency-backed bonds.[56]

Other Federal and Direct Payment Programs

At the federal level, there are numerous direct payment programs targeting home ownership. This review was limited to the Homeowner Assistance Fund, and a few existing loan programs targeting specific demographic populations.

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[55] "2024 Program Assessment Report," Minnesota Housing, https://www.lrl.mn.gov/docs/2025/mandated/250465.pdf
[56] "2025 Program Assessment Report," Minnesota Housing, https://www.lrl.mn.gov/docs/2026/mandated/260361.pdf; Estimates for Minnesota Housing assistance by program are calculated utilizing the 2025 Minnesota Housing Program Assessment Report. Outreach to the Association of Minnesota Counties did not provide further county level programs benefiting MID claimants for a similar purpose Outreach to the Association of Minnesota Counties was conducted in May of 2025. AMC staff assisted in reaching out to county administrators to identify programs not already included in this analysis.

- The Homeowner Assistance Fund was established as a one-time grant fund to be utilized for mortgage and utility payments as well as homeowner insurance for individuals unable to make payments due to COVID-19 related financial crises. In Minnesota, 8,057 homeowners were assisted through 2023.[57]
- Federal Housing Administration Loans are government-backed mortgages designed with income restrictions. FHA approved lenders provide mortgage insurance through the Federal Housing Administration to provide mortgage insurance for both single and multifamily loans.[58]
- The Indian Housing Loan Guarantee Program provides single-family housing fixed-rate home mortgage loans for 30 years or less for Native communities and tribally designated housing entities. Eight tribes within Minnesota participate in the program and all counties in Minnesota are approved program areas.[59]
- Veterans Affairs (VA) provides home mortgage loans to Veterans based on service, duty status, and character of service.[60] Figure 8 provides the number of home loan guaranty program loans were issued as well as the total amount issued by period of service in Minnesota for 2024.[61]

Figure 9. VA Home Loan Guarantee Minnesota Utilization, 2024

Period of Service	Number of Loans	Total Loan Amount	Average Loan Benefit Amount
Gulf War Era	1339	$438,013,778	$327,120
Post-Korean Conflict	<10	$1,515,524	$151,552
Post-Vietnam Era	127	$32,952,925	$259,472
Reservists	182	$56,621,619	$311,108
Restored Entitlement	2182	$781,704,551	$358,251
Service Personnel	302	$110,033,178	$364,348
Un-remarried Surviving Spouse	35	$9457806	$270,223
Vietnam Era	73	$20264291	$277,593
Total	**10,995**	**$1,450,563,672**	**$131,929**

Data Source: U.S Department of Veterans Affairs Veterans Benefits Administration Office of Performance Analysis & Integrity, Queried April 22, 2026

57 Minnesota Housing Final Report to Treasury 9/2024
58 United States Department of Housing and Urban Development, "Loans," https://www.hud.gov/helping-americans/loans
59 United States Department of Housing and Urban Development, "Section 184 Indian Housing Loan Guarantee Program," https://www.hud.gov/section184
60 United States Department of Veterans Affairs, "VA Home Loans," Updated November 17, 2025, https://www.benefits.va.gov/homeloans/
61 United States Department of Veterans Affairs, "VA Veteran Home Loan Guarantee Dataset," Updated September 22, 2025, https://www.data.va.gov/dataset/VA-Veteran-Home-Loan-Guaranty-VBA-LGY-2024/fp4i-75a5/about_data

Potential Modifications

Published literature identified possible federal MID modifications including limiting the MID to primary residences, as well as further limiting the total interest deductible.[62] Currently the MID applies to interest paid on second homes, including vacation homes. This modification is estimated to lead to half a million fewer returns itemizing deductions, approximately one percent of itemizers at the federal level.[63] Other proposed modifications include lowering the interest limit to either $20,000 or $10,000. This is estimated to lead to a ten-year revenue increase of $170 and $521 billion respectively at the federal level.[64] The final possible modification discussed was a full repeal of the MID. A similar analysis on the Minnesota MID to limit the MID to principal residence estimates a fiscal year 2026 revenue increase of $9.5 million.[65]

Conclusion

The aim of this evaluation is to understand how well the Minnesota MID meets its dual objective. Through mere existence and utilization, the MID reduces the taxes paid by individuals with a mortgage on their first or second residence and therefore meets its objective of recognizing expenses incurred in generating personal income or wealth. Due to data limitations, the LBO is unable to conduct a longitudinal analysis to investigate any link between MID and home ownership in Minnesota. However, based on an extensive review of the evidence on the effect of home mortgage interest deduction programs at the federal level and in other states on encouraging home ownership, research concludes that neither the federal nor the state MID lead to an increase in overall home ownership. Further, based on the available evidence at the federal level and in Minnesota, higher income households overwhelmingly and disproportionately benefit from the MID. Higher income households may already have the means to purchase a home without the MID. Future evaluations could benefit from evaluating individual level time-series MID tax data. This would allow for a robust analysis of the impact of the Minnesota MID and the impact of the deduction on home ownership within the state.

Further, the TCJA has had a major impact on MID claims. Fewer Minnesotans claimed the state MID after 2017. Prior to the TCJA, more claimants had resided in the upper half of the income deciles than the lower half of the income deciles. That gap persists after the passage of TCJA. The impact of MID is not uniform across all levels of income.

The Tax Expenditure Review Commission may choose to consider these findings in preparing a recommendation to the legislature to continue, repeal, or modify the tax

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[62] "The Mortgage Interest Deduction: Options for Reform," *The Budget Lab*, June 6, 2025, https://budgetlab.yale.edu/research/mortgage-interest-deduction-options-reform
[63] "The Mortgage Interest Deduction: Options for Reform," *The Budget Lab*
[64] "The Mortgage Interest Deduction: Options for Reform," *The Budget Lab*
[65] Minnesota Department of Revenue, Analysis of H.F 1379 Individual Income Tax Limit Mortgage Interest Deduction.

expenditure, as is required of the Commission under Minnesota Statutes 2025, section 3.8855, subdivision 5.

Appendix A. Minnesota Home Mortgage Interest Deduction Claims by Income Decile

Figure 10. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2017

Income Decile	Count	Distribution
$37,585 or Less	66,069	8.80%
$37,586 - $58,295	107,909	14.38%
$58,296 - $79,562	113,828	15.17%
$79,563 - $102,858	121,937	16.25%
$102,859 - $129,945	109,240	14.56%
$129,946 - $166,910	99,718	13.29%
$166,911 - $232,821	60,315	8.04%
$232,822 - $384,891	43,863	5.85%
$384,892 - $977,385	22,940	3.06%
$977,386 or More	4,570	0.61%
All	**750,389**	**100.00%**

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO February 13, 2026

Figure 11. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2018

Income Decile	Count	Distribution
$40,349 or Less	41,375	9.28%
$40,350 - $62,312	55,938	12.54%
$62,313 - $85,529	64,871	14.55%
$85,530 - $109,570	58,872	13.20%
$109,571- $138,219	60,824	13.64%
$138,220 - $180,852	64,156	14.39%
$180,853 - $253,121	51,777	11.61%
$253,122 - $444,138	33,927	7.61%
$444,139 - $1,183,783	12,622	2.83%
$1,183,783 or More	1,554	0.35%
All	**445,916**	**100.00%**

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO February 13, 2026

Figure 12. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2019

Income Decile	Count	Distribution
$40,904 or Less	10,759	7.56%
$40,905 - $62,484	12,452	8.75%
$62,485 - $85,038	17,053	11.98%
$85,039 - $109,912	16,419	11.53%
$109,913 - $138,563	14,959	10.51%
$138,564 - $180,332	16,982	11.93%
$180,333 - $241,038	17,744	12.46%
$241,039 - $388,740	20,994	14.75%
$388,741 - $986,431	12,976	9.11%
$986,432 or More	2,026	1.42%
All	**142,364**	**100.00%**

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO February 13, 2026

Figure 13. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2020

Income Decile	Count	Distribution
$40,904 or Less	10,066	8.11%
$40,905 - $62,484	10,438	8.41%
$62,485 - $85,038	14,571	11.75%
$85,039 - $109,912	14,156	11.41%
$109,913 - $138,563	13,066	10.53%
$138,564 - $180,332	14,286	11.52%
$180,333 - $241,038	14,883	12.00%
$241,039 - $388,740	18,868	15.21%
$388,741 - $986,431	11,832	9.54%
$986,432 or More	1,894	1.53%
All	**124,060**	**100.00%**

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO February 13, 2026

Figure 14. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2021

Income Decile	Count	Distribution
$46,401 or Less	7,826	6.73%
$46,402 - $69,901	8,232	7.08%
$69,902 - $96,969	11,965	10.28%
$96,970 - $126,465	12,034	10.34%
$126,466 - $162,227	10,968	9.43%
$162,228 - $214,449	12,614	10.84%
$214,450 - $317,129	12,702	10.92%
$317,130 - $610,418	17,329	14.90%
$610,419 - $2,348,506	16,937	14.56%
$2,348,507 or More	5,728	4.92%
All	**116,335**	**100.00%**

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO February 13, 2026

Figure 15. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2022

Income Decile	Count	Distribution
$46,401 or Less	7,952	7.05%
$46,402 - $69,901	7,398	6.55%
$69,902 - $96,969	11,014	9.76%
$96,970 - $126,465	11,779	10.44%
$126,466 - $162,227	11,083	9.82%
$162,228 - $214,449	12,127	10.74%
$214,450 - $317,129	12,549	11.12%
$317,130 - $610,418	17,250	15.28%
$610,419 - $2,348,506	16,843	14.92%
$2,348,507 or More	4,869	4.31%
All	112,864	100.00%

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO May 11, 2026

Figure 16. Income Distribution, Minnesota Home Mortgage Interest Deduction Claimants, TY2023

Income Decile	Count	Distribution
$49,423 or Less	7,192	6.07%
$49,424 - $74,922	7,643	6.45%
$74,923 - $101,855	11,992	10.12%
$101,856- $133,951	12,351	10.43%
$133,952 - $169,964	11,422	9.64%
$169,965 - $220,311	13,288	11.22%
$220,312 - $306,401	13,887	11.72%
$306,402 - $504,287	18,584	15.69%
$504,288 - $1,265,381	17,469	14.75%
$1,265,382 or More	4,624	3.90%
All	118,452	100.00%

Data Source: Minnesota Department of Revenue Tax Research Division, Received by LBO May 11, 2026

Appendix B. Minnesota Home Mortgage Interest Deduction New Claimants by Tax Year

Figure 17 shows the number of new Minnesota MID claimants by tax year from 2019-2023. It is important to note that there are many factors that could contribute to the decision to itemize versus take the standard deduction. These factors include but are not limited to the taxpayer purchasing a first or second home, having other deductions to contribute to choosing itemization, as well as filers moving in and out of the state. The table begins with tax year 2019 to correspond with the start of Minnesota TCJA conformity.

Figure 17. MN Home Mortgage Interest Deduction Claimants, TY2019-2023, Full-Year Residents, New Claimants

Tax Year	Claimants
2023	26,564
2022	19,791
2021	18,576
2020	18,808
2019*	23,786

Data Source: Minnesota Department of Revenue Tax Research Division

*Began with TY19 for TCJA conformity purposes.

Appendix C. Distribution of MID filers and distribution of benefits TY2017-2021

This appendix provides an expanded view of Figure 4 provided in the effectiveness and efficiency section of the evaluation.

Figure 18. Distribution of total filers and benefits of the Minnesota Home Mortgage Interest Deduction TY2017-2021

	2017*		2018		2019		2020		2021		2022		2023	
Income Decile	Total Filers	Total Benefits	Total Filers	Total Benefits	Total Filers	Total Benefits	Total Filers	Total Benefits	Total Filers	Total Benefits	Total Filers	Total Benefits	Total Filers	Total Benefits
1st	45%	7%	43%	7%	43%	6%	43%	7%	39%	6%	37%	7%	36%	5%
2nd	16%	11%	16%	11%	16%	7%	16%	6%	16%	7%	16%	5%	16%	5%
3rd	11%	13%	11%	11%	11%	9%	11%	9%	11%	7%	12%	9%	12%	8%
4th	9%	15%	9%	11%	9%	8%	9%	9%	9%	8%	9%	7%	9%	9%
5th	6%	14%	7%	13%	7%	9%	7%	9%	7%	8%	8%	8%	8%	8%
6th	5%	14%	5%	15%	5%	11%	5%	11%	6%	9%	7%	9%	7%	10%
7th	3%	10%	4%	14%	3%	14%	4%	13%	4%	11%	5%	10%	5%	12%
8th	2%	9%	3%	11%	3%	18%	3%	19%	3%	17%	4%	17%	4%	18%
9th	1%	6%	1%	6%	2%	14%	2%	15%	2%	19%	2%	19%	2%	19%
10th	1%	1%	1%	1%	1%	4%	1%	3%	1%	8%	1%	7%	1%	5%

Data Source: Data from Minnesota Department of Revenue Tax Research. Calculation of Distribution by the LBO.

*Note: Tax Year 2017 claims data is for deductions claimed on the federal schedule A. Tax Years 2018 and beyond data is referring to claims made on the Minnesota Schedule M1SA.

Appendix D. Federal MID Benefit Pre and Post TCJA

Figure 19 shows the tax units with a benefit from the Federal MID pre and post TCJA by expanded cash income percentile. Expanded cash income percentiles are calculated by the Tax Policy Center based on the pre-tax income distribution for the entire population and contain an equal number of people. This analysis of the utilization of the federal MID supports the idea that overall MID claims decreased across all income levels post TCJA and higher income quintiles receive a higher share of MID benefits. The analysis also shows that there were higher percentages within the fourth and top quintile as compared to the lower three quintiles.

Figure 19. Tax Units with a Benefit from Federal Home Mortgage Interest Deduction

Expanded Cash Income Percentiles	Pre- TCJA Tax Units with a Benefit from MID (thousands)	Pre- TCJA Percent within Class	Post TCJA Tax Units with a Benefit from MID (thousands)	Post TCJA Percent within Class
Lowest Quintile	240	0.5	70	0.1
Second Quintile	1,760	4.5	550	1.4
Third Quintile	6,250	18.2	2,000	5.8
Fourth Quintile	11,490	39.8	4,400	15.2
Top Quintile	17,180	70.7	9,010	37.1
All	36,910	21.0	16,020	9.1

Data Source: Tax Policy Center Analysis of the Impact on the Tax Benefit of MID of H.R.1, By Expanded Cash Income Percentile 2018

Appendix E. State and Federal Housing Landscape

National Homeownership Trends

The following background information seeks to understand national homeownership trends including homeownership readiness, homeownership demographics, and the federal mortgage landscape. Additional background information on federal MID is also provided.

Homeownership

The overall home ownership rate in the U.S. in 2024 was approximately 66%.[66] This is the proportion of households that are owner-occupied based on U.S Census data. The median sales price of homes sold in the U.S. has increased from 2020 to 2024. In 2024, the median sales price was $419,300.[67] The real median family income in the U.S. was $105,800 in 2024.[68] To put this number in perspective, the LBO relies on the housing affordability index, which measures the degree to which a family with a median income can afford to qualify for a mortgage on a median-priced home in the U.S. A value above 100 indicates that a median-income family has more than enough to qualify for a 20% down fixed mortgage loan. In February 2025, the housing affordability index was 102.2, indicating that a median-income family has enough income to qualify for a median-priced home in the U.S.[69] The index is for the country as a whole and does not necessarily reflect the supply of homes for sale within specific regions, as variance in supply by region may impact the housing affordability index of a particular region.

From 2023 to 2024, the median age of first-time homebuyers increased from 35 to 38.[70] The overall median age of home buyers increased from 49 in 2023 to 56 in 2024. Figure 20 illustrates the increasing median age of homebuyers in the U.S. over the last four decades. The increase in sales price and age of first-time homebuyers indicate decreased affordability in the housing market.

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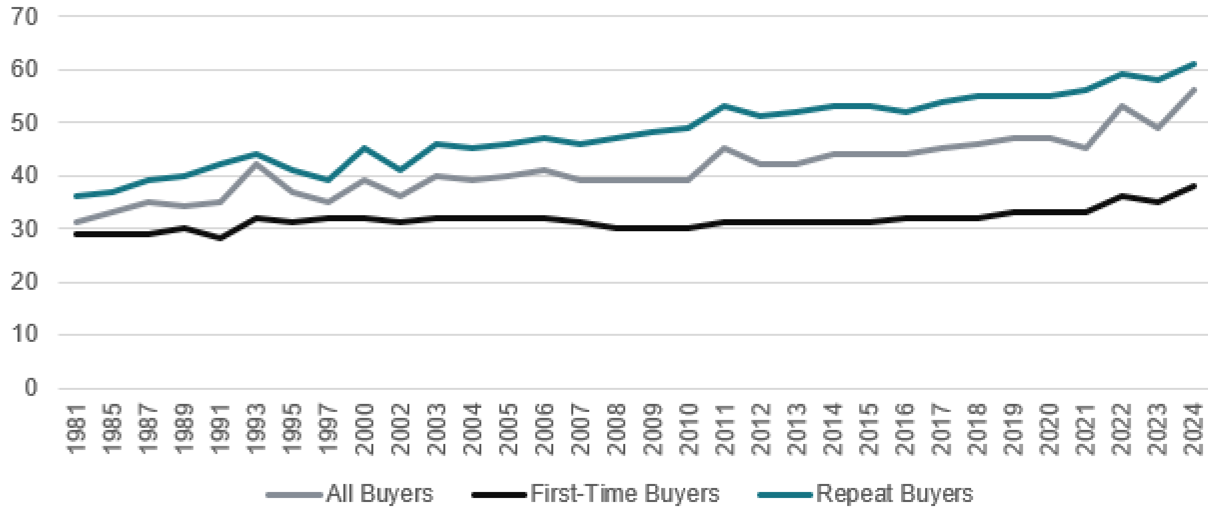
66 "Homeownership Rate in the United States," *Federal Reserve Bank of St. Louis*, April 28, 2025, https://fred.stlouisfed.org/series/RSAHORUSQ156S.
67 "Median Sales Price of Houses Sold for the United States," *Federal Reserve Bank of St. Louis*, April 23, 2025, https://fred.stlouisfed.org/series/MSPUS.
68 "Real Median Family Income in the United States," *Federal Reserve Bank of St. Louis*, https://fred.stlouisfed.org/series/MEFAINUSA672N
69 "Housing Affordability Index (Fixed)," *Federal Reserve Bank of St. Louis*, April 11, 2025, https://fred.stlouisfed.org/series/FIXHAI.
70 "Highlights From the Profile of Home Buyers and Sellers." *National Association of Realtors*, https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers

Figure 20. Median Age of Home Buyers, 1981-2024



Data Source: Highlights From the Profile of Home Buyers and Sellers, National Association of Realtors

Home Ownership Readiness

Approximately 45 million housing units within the U.S. were considered renter-occupied in 2024.[71] Besides a dip during the 2020 Covid-era, the inventory estimate of renter-occupied housing units has steadily increased from around 33 million in 2004 to 46 million in 2025.[72] The percentage of vacant rental units was 11.1% in 2010 and decreased to 6.9% in 2024.[73] The average monthly rent in the country in 2025 was $1,825. This average is calculated for all bedroom and property types.[74] Further, in 2022, 7.9 million families in the U.S. were considered "income mortgage-ready" defined as a renter household that would have spent 30% or less of their monthly income on a mortgage payment if they bought a typical home in their local market.[75] Home Ownership readiness consists of the population within the housing market that could purchase a home and become eligible for the MID.

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[71] "Housing Inventory Estimate: Renter Occupied Housing Units in the United States," *Federal Reserve Bank of St. Louis,* April 28, 2025, https://fred.stlouisfed.org/series/ERNTOCCUSQ176N.
[72] "Housing Inventory Estimate: Renter Occupied Housing Units in the United States," *Federal Reserve Bank of St. Louis*, https://fred.stlouisfed.org/series/ERNTOCCUSQ176N
[73] "Rental Vacancy Rate in the United States," *Federal Reserve Bank of St. Louis,* https://fred.stlouisfed.org/series/RRVRUSQ156N
[74] "Average Rental Price in US & Market Trends | Zillow Rental Manager," *Zillow*, May 3, 2025, https://www.zillow.com/rental-manager/market-trends/united-states/.
[75] Ana Teresa Solá, "Some Renters May Be 'mortgage-Ready' and Not Know It. Here's How to Tell," *CNBC*, July 18, 2024, https://www.cnbc.com/2024/07/18/how-renters-can-tell-if-their-finances-are-mortgage-ready.html#:~:text=In percent202022%2C%2039%25%20of%20the,%2Dready%2C%22%20Zillow%20found.

Mortgages and the Federal Mortgage Interest Deduction

Overall, in the U.S., the average prime interest rate and monthly mortgage payment for 30-year fixed-rate conventional conforming mortgages decreased from 2018 to 2021. However, rates began increasing in 2022. In 2022, the average monthly mortgage payment for a home in the U.S. was approximately $2,100, while the interest rate remained at approximately 6.5 %.[76]

Latest data from 2022 shows that the average debt-to-income ratio (DTI) for a 30-year fixed-rate conventional conforming mortgage for non-Hispanic whites was approximately 35%, while the ratio for Asian, Black, and Hispanic homeowners ranged from 39-41%.[77] The DTI is calculated by dividing a mortgagee's total monthly debt by gross income. Total monthly debt includes all forms of debt, including credit card debt and other outstanding loans.[78] DTI provides a snapshot of mortgagee's overall debt expenses as compared to income. A high DTI can indicate low housing affordability, as the general DTI recommendation is to remain below 36%.[79]

Data on the number of income tax returns filed claiming the federal itemized deduction on home mortgage interest paid is available from 2000-2016. The number of claims steadily declined from 2010-2016.[80] Approximately 33 million federal claims were filed in 2016 for home mortgage interest paid. In 2016, the home mortgage interest paid for the MID itemized deduction was 282 million.[81] There is no available data on the dollar amount of claims of the federal MID. As a result of the increased standard deduction from the TCJA, there was a decline in the number of filers claiming the federal MID.

Figure 21 shows the share of tax filers claiming the federal MID by income level in 2016 and 2020. The greatest share of claimants in 2016 and 2020 resided in the $100K-200K income bracket, while the greatest share of the tax expenditure was received by those making $200K and over. For every income decile besides $200K and over, the share of filers claiming the deduction was greater in 2016 than in 2020.[82] Analysis of the distribution of federal MID reveals that higher income households received a higher

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[76] Liu, Feng and Jo, Young and Cohen-Harding, Noah, "Data Point: 2022 Mortgage Market Activity and Trends" (September 27, 2023). Consumer Financial Protection Bureau Office of Research Reports Series No. 23-06, https://ssrn.com/abstract=4636873

[77]Liu, Feng and Jo, Young and Cohen-Harding, Noah, Data Point: 2022 Mortgage Market Activity and Trends

[78] Liu, Feng and Jo, Young and Cohen-Harding, Noah, Data Point: 2022 Mortgage Market Activity and Trends

[79] "Homebuying decoded: What is a debt-to-income ratio?" *US Bank,* https://www.usbank.com/financialiq/manage-your-household/home-ownership/what-is-debt-to-income-ratio.html

[80] "Individual Income Tax Filing: Itemized Deductions: Home Mortgage Interest Paid," *Federal Reserve Bank of St. Louis*, December 19, 2018, https://fred.stlouisfed.org/series/IMZIPHMIP#.

[81] "Federal Itemized Deductions of Home Mortgage Interest Paid by Year," *Federal Reserve Bank of St. Louis,* https://fred.stlouisfed.org/series/IMZIPHMIPA.

[82] Congressional Research Service calculations using estimates reported in Tables 3 of U.S. Congress, Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2016-2020*, 115th Cong., 1st sess., January 30, 2017, JCX-3-17, and U.S. Congress, Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2020-2024*, 116th Cong., 2nd sess., November 5, 2020, JCX-23-20.

share of the MID, as those households were more likely to itemize deductions, hold larger mortgages and reside in higher tax brackets.[83]

Figure 21. Distribution of Federal Mortgage Interest Deduction by Income Class, 2016 and 2020

Income Class	2016 Share of Claimants	2016 Share of Tax Expenditure	2020 Share of Claimants	2020 Share of Tax Expenditure
Below $30k	1.5%	0.3%	0.7%	0.1%
$30k to $40k	2.0%	0.5%	1.0%	0.2%
$40k to $50k	3.4%	0.9%	1.9%	0.5%
$50k to $75k	13.9%	5.6%	9.0%	2.9%
$75k to $100k	15.0%	8.5%	11.3%	5.8%
$100k to $200k	43.1%	38.3%	38.8%	27.6%
$200k and over	21.2%	45.9%	37.3%	62.8%
Total	**100%**	**100%**	**100%**	**100%**

Data Source: Congressional Research Service calculations using estimates reported in Tables 3 of U.S. Congress, Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2016-2020*, 115th Cong., 1st sess., January 30, 2017, JCX-3-17, and U.S. Congress, Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2020-2024*, 116th Cong., 2nd sess., November 5, 2020, JCX-23-20.

83 "The Distribution of Major Tax Expenditures in 2019," *Congressional Budget Office Nonpartisan Analysis,* https://www.cbo.gov/system/files/2021-10/57413-TaxExpenditures.pdf

Minnesota Homeownership Trends

This section provides further context on Minnesota's homeownership environment.

Homeownership

In Minnesota, the median home sale price has steadily increased while the month's supply of homes for sale has declined from 2006-2024. In 2023, Minnesota's percent of owner-occupied homes was 72.2%.[84] Approximately 25% of Minnesota's owner-occupied homes were valued less than $250,000.[85]

Minnesota has a 72% overall home ownership rate as of 2024, the 9th highest in the U.S. However, this rate differs by demographic. Although the homeownership rate for white households in Minnesota stands at 76.8%, it drops to just 51.1% for Indigenous, Black, and other households of color, making it the 11th highest racial disparity gap in homeownership in the U.S.[86]

Homeownership Readiness

While the MID only applies to homeowners in the state, renters comprise 28% of Minnesota households and have the potential to become homeowners.[87] Minnesota has a 5.4% rental vacancy as of 2024, down from 6.9 % in 2023.[88] From 2019-2023, there were approximately 630,433 renter-occupied units in Minnesota with an average household size of two.[89] Of those renting in Minnesota at extremely low income, 83% were considered cost burdened.[90] For populations with extremely low income up to 50% of the area median income, 74% were considered cost burdened.[91] For those with 51-80% of the area's median income 36% were considered cost burdened.[92] A household is considered cost burdened when it spends more than 30% of its income on housing. [93] Renting price has increased in Minnesota by 7%, while renter income has increased by

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84 "United States Census Bureau Quick Facts," United States Census, July 1, 2025. https://www.census.gov/quickfacts/fact/table/MN/HSG010225

85 "Minnesota Housing Strategic Plan 2024-2027," Minnesota Housing, https://www.mnhousing.gov/document/2024-2027-strategic-plan.pdf

86 "2025 Program Assessment Report," *Minnesota Housing,* https://mnhousing.gov/documents/53435/2025_program_assessment_report/view

87 Gabriela Norton , "State of the State's Housing 2024" *Minnesota Housing Partnership*, 2024. https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf

88 "Federal Reserve Economic Data," *Federal Reserve Bank of St. Louis*, accessed May 5, 2025, https://fred.stlouisfed.org/release/tables?rid=144&eid=258546#snid=258547.

89 "Minnesota Housing Units," *Minnesota Compass*, Accessed May 12, 2025. https://www.mncompass.org/profiles/state/minnesota/housing-units

90 National Low Income Housing Coalition, "Minnesota Cost Burden by Income Group," https://nlihc.org/gap/state/mn

91 National Low Income Housing Coalition, "Minnesota Cost Burden by Income Group."

92 National Low Income Housing Coalition, "Minnesota Cost Burden by Income Group."

93 "2024 Program Assessment Report," *Minnesota Housing 2024 Program Assessment Report*, accessed May 5, 2025, https://www.lrl.mn.gov/docs/2025/mandated/250465.pdf.

3% over the past five years.[94] As of 2024,191,000 renter households are at a level of income readiness where they could consider purchasing a home.[95] While the Minnesota Housing does not explicitly define "income readiness" as it relates to renter households, it is a generally accepted guideline that households can afford a home costing 2.5 times the household's total yearly income.[96]

Mortgage Trends

The Home Mortgage Disclosure Act (HMDA) requires information about mortgage loans to be reported and publicly disclosed.[97] In Minnesota, the monthly mortgage payment on a median-priced home increased by $700, adjusted for inflation, from 2021 to 2024. The average mortgage payment on a median-priced home in Minnesota increased from $1,450 in 2020 to $2,500 in 2024 (assuming a 10% downpayment).[98] Mortgage payments cover the principal, interest, taxes, and insurance. A mortgage with a 2.9% interest rate, for a median-priced home, was affordable to households with annual income of at least $100K in 2021. The income needed as of 2024 to afford a median priced home, at a 6.95% interest rate, was $128K.[99]

In 2023, 84% of new mortgage loans were considered conventional loans.[100] Conventional loans are not insured or guaranteed by the Federal Housing Administration (FHA), Veterans Affairs (VA), or USDA Rural Development or Farm Service Agency.[101] Of the loans initiated in 2023, 58% were loans taken out for home purchases in Minnesota.[102] Further, 95% of loans for home purchases were taken out for site-built single-family (1-4 units) homes, with 4% of loans taken out for manufactured single-family homes. Fewer than 1% of loans are taken out for multifamily manufactured and site-built homes.[103]

Lender-mediated sales are defined as sales where a lender mediates the sale of a property by a real estate agent on behalf of a delinquent borrower before a foreclosure sale takes place.[104] Lower percentages of lender-mediated sales indicate that fewer

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[94] Gabriela Norton, "State of the State's Housing 2024" *Minnesota Housing Partnership , 2024*. https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf
[95] "2025 Program Assessment Report," *Minnesota Housing 2025 Program Assessment Report*, accessed May 5, 2025, https://www.lrl.mn.gov/docs/2025/mandated/260361.pdf.
[96] "State of the State's Housing 2024," *Minnesota Housing Partnership,* accessed May 5, 2025, https://mhponline.org/wp-content/uploads/FINAL_SOTS _2024.pdf.
[97] "Home Mortgage Disclosure Act (HMDA)," *Federal Financial Institutions Examination Council*, April 1, 2025, https://www.ffiec.gov/data/hmda.
[98] "2024 Annual Housing Market Report," *Minnesota Realtors,* January 28, 2025, https://www.mnrealtor.com/blogs/mnr-news1/2025/01/28/2024-annual-housing-market-report.
[99] "2025 Program Assessment Report ," *Minnesota Housing 2025 Program Assessment Report*
[100] "Home Mortgage Disclosure Act (HMDA)," *Federal Financial Institutions Examination Council*.
[101] "HMDA Dataset Filtering - Available Filters," *Federal Financial Institutions Examination Council*, accessed May 7, 2025, https://ffiec.cfpb.gov/documentation/tools/data-browser/data-browser-filters#loan-type-loan_type.
[102] "HMDA Dataset Filtering - Available Filters," *Federal Financial Institutions Examination Council*
[103] "HMDA Dataset Filtering - Available Filters," *Federal Financial Institutions Examination Council*
[104] "Glossary of Foreclosure Fairness Mediation Terminology," *Glossary of Foreclosure Fairness Mediation Terminology* , accessed May 12, 2025, https://www.commerce.wa.gov/wp-content/uploads/2016/06/ffp-glossary-foreclosure-terminology-2013.pdf.

foreclosures or other delinquent borrower outcomes are taking place. In Minnesota, 1.3% of sales were lender-mediated in 2023 and 2024.[105] For historical context, 0.8% of sales were lender mediated in 2021, 1.3% in 2020, and 1.9% in 2019.[106]

[105] "Annual Report on the Minnesota Housing Market," *Minnesota Realtors*, January 8, 2025, https://higherlogicdownload.s3.amazonaws.com/MNREALTOR/488b06e6-56a7-4890-bb7a-ab79ba70337a/UploadedImages/Housing_Report/MNR_ANN_2024.pdf.
[106] Annual Report on the Minnesota Housing Market, Minnesota Realtors.

Appendix G. Other Statutory Components of Review

Minnesota Statutes, section 3.8855, subdivision 5 outline components of review required when conducting a tax expenditure evaluation. Though the following did not impact the overall findings of this evaluation, they are presented below for completeness.

Provide an estimate of the annual revenue lost as a result of the expenditure

Fiscal Year	2024	2025	2026	2027
Estimate of Annual Revenue Lost	$49,400,000	$54,700,000	$63,400,000	$74,900,000

Data Source: Minnesota Department of Revenue Tax Research

Estimating the amount by which the tax rate for the relevant tax could be reduced if the revenue lost due to the tax expenditure were applied to a rate reduction

If the tax expenditure were repealed, each income tax rate could be reduced by 0.023 percentage points, to 5.327%, 6.777%, 7.827%, and 9.827%.[107]

[107] Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget.

The incidence of the tax expenditure and the effect of the expenditure on the incidence of the state's tax system

DOR Tax Research includes an incidence analysis for tax expenditures considered significant. Figure 22 provides the estimated tax change, by population decile, using MID claims in tax year 2021. Using a sample of tax filings, DOR calculated the percentage of tax change proportional to each population decile.[108]

Figure 22. Incidence of the Home Mortgage Interest Deduction, Tax Year 2021

Resident by Population Decile	Total Individual Income Tax	Tax Change	Share of Tax Change	Count
$15,544 & under	-$12,885,164	$77,873	0.1%	89
$15,545 - $24,961	-$8,897,060	$79,163	0.1%	136
$24,962 - $35,168	$50,299,493	$161,917	0.2%	548
$35,169 - $45,808	$162,527,171	$665,684	0.9%	2,352
$45,809 - $58,014	$329,724,240	$912,309	1.2%	4,959
$58,015 - $73,668	$536,303,127	$1,826,399	2.5%	7,845
$73,669 - $95,360	$819,647,313	$3,723,126	5.1%	11,332
$95,361 - $127,780	$1,210,630,834	$4,164,498	5.7%	14,749
$127,781 - $183,475	$1,954,222,647	$6,899,383	9.4%	16,250
$183,476 & over	$8,869,633,832	$48,164,712	65.5%	45,084
Nonresidents	$961,801,005	$6,824,937	9.3%	14,366
All	**$14,873,000,000**	**$73,500,000**	**100.0%**	**117,700**

Source: MN DOR Tax Research 2024 Tax Expenditure Budget

[108] Population deciles rank household income into 10 equal segments, each segment containing the same number of households. The first segment, or decile, includes households with the lowest household income, while the tenth decile includes households with the highest household income.