FREE REFERENCE

Minnesota business taxes, explained for 2026

Small businesses in Minnesota register with the state revenue agency for income tax withholding and sales tax, and with the Minnesota Unemployment Insurance for unemployment tax. Minnesota has income tax rates from 5.35% to 9.85%, a 6.88% state sales tax and a $44,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** Income tax rates from 5.35% to 9.85% for 2026
- **Sales tax.** 6.88% state rate, about 8.14% combined with local
- **Unemployment.** Employers pay Minnesota unemployment tax on the first $44,000 of each worker's 2026 wages

What taxes does a small business pay in Minnesota?

Most Minnesota businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Minnesota?

Before your first payroll in Minnesota:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Minnesota withholding account with the Minnesota revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Minnesota Unemployment Insurance. For 2026, the tax applies to the first $44,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Minnesota's new hire registry, usually within 20 days.

Employees in Minnesota also pay paid leave at 0.44% of wages up to $184,500.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Minnesota sales tax permit?

If you sell taxable goods or services in Minnesota, yes. Register with the Minnesota revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Minnesota's economic nexus threshold.

SALES TAX IN MINNESOTA, MIDYEAR 2026	RATE
State rate	6.88%
Average local rate	1.26%
Average combined rate	8.14%
Highest local rate	3%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Minnesota tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Minnesota income tax on it at the personal rates: income tax rates from 5.35% to 9.85%. Minnesota allows a standard deduction of $15,300 single and $30,600 joint and $5,300 for each dependent.

Estimate yours with the Minnesota income tax calculator.

Where are Minnesota's tax forms and refund status?

- Minnesota tax forms
- Minnesota revenue agency
- Minnesota refund status
- Minnesota Unemployment Insurance

Every state's links are on our state tax forms page.

Which calculators work for Minnesota?

- Minnesota paycheck calculator: take-home pay after every deduction
- Minnesota income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Minnesota unemployment

Common questions

Do I need a sales tax permit in Minnesota?
Yes, if you sell taxable goods or services there. Register with the Minnesota revenue agency before your first taxable sale.

What is the Minnesota unemployment wage base for 2026?
$44,000. Employers pay Minnesota unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Minnesota have a state income tax?
Yes. Minnesota has income tax rates from 5.35% to 9.85% for 2026.

Who runs payroll taxes in Minnesota?
The Minnesota revenue agency handles income tax withholding, and the Minnesota Unemployment Insurance handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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