

PopBites

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What Really Is Minnesota's Annual Income?

The 1994 Minnesota Legislature passed a "price of government" bill. This budget reform law specifies that the Governor and the Legislature will agree upon a "maximum share of Minnesota personal income to be collected in taxes and other revenues." Personal income is computed by the Bureau of Economic Analysis and released approximately one and one-half years after the end of the latest calendar year included in the data. Because of this lag, the "price of government" target would be calculated based on projections of income made by the Minnesota Department of Finance.

Some confusion surrounds the "price of government" law. What is total personal income and who determines this figure? "Total personal income" is a term used by the BEA, which has computed personal income since 1929. This is the longest continuous time series of income available.

But the BEA's personal income is not the only one for Minnesotans. The IRS collects income data in the course of its tax collecting. The Census Bureau also collects income data in the decennial census as well as in its monthly surveys. However, the data compiled and published by these sources is very different.

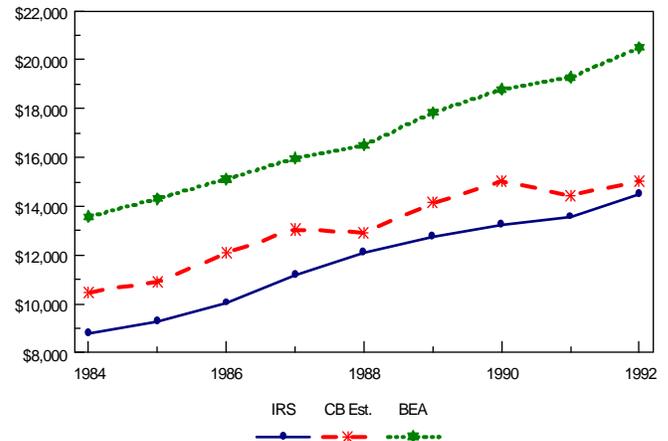
Comparison of Income Data

1989	BEA Personal Income	IRS Taxable AGI*	Census Bureau Money Income	CPS** Estimate of Money Income
Total Income	\$77,405 million	\$55,393 million	\$62,953 million	\$61,362 million
Per Capita Income	\$17,843	\$12,769	\$14,389	\$14,145

* Adjusted Gross Income

** Current Population Survey

Comparison of Minnesota Income Data Per Capita Values



The differences in income data for Minnesota arise because of the way the data is collected, the populations covered and the primary sources for the data.

Over time, the BEA estimates of personal income are consistently higher than those from the IRS and the Census Bureau. However, since 1984, income estimates from the IRS have risen more rapidly than Census Bureau estimates, probably because of changes in the tax code.

Which is the best source of income data for Minnesota? The answer lies in how the data will be used, whether other data from the same source is being used and what geographic area is the focus.

This issue of *PopBites* summarizes findings from "What Really Is Minnesota's Annual Income?" a working paper by Barbara Ronningen. To get a copy of the working paper, contact the Minnesota State Demography Helpline, Minnesota Planning, 658 Cedar St., St. Paul, Minnesota 55155, (612)296-2557.

