

Major State Aids and Taxes: A Comparative Analysis

2018 Update



About this Publication

*A comparative analysis of
the major state aids and
taxes in Minnesota.*

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This publication was prepared by Sean Williams and Jared Swanson, legislative analysts specializing in the areas of income taxes and property taxes. Questions can be directed to Sean at sean.williams@house.mn or Jared at jared.swanson@house.mn.



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The 2018 Update has an online complement, which includes summary and interactive tools for regional and county-level data. The online tool replicates maps and graphs that were formerly included in the paper report. Access the online tool at <https://www.house.leg.state.mn.us/hrd/msa.aspx>

Reader Note: This publication has been published in various forms for more than 35 years. Previous versions are available on the House Research website.

Overview

This report presents a comparative analysis of the major state aids and taxes in Minnesota. It is a reference document and is *not intended* to be a complete list of all the aids and credits paid by the state and all the taxes collected by the state. The report contains data on:

- **Major State Aids** including education aid, human services aid, highway aid, local government aid (LGA), disparity reduction aid (DRA), county program aid, community corrections funding, property tax refunds, and targeting refunds.
- **Property Tax Data** including the market value agricultural credit, school building bond credit, miscellaneous property tax credits, property tax levies by type of taxing district, and property valuation data.
- **Major State Taxes** including individual income tax, sales/use tax, motor vehicle sales tax, motor vehicle registration tax, motor fuels tax, corporate franchise (income) tax, and state general levy.

Some of the content that was included in earlier versions of the report has been moved to an interactive online tool. These changes are outlined below. This year's report is divided into two major sections:

Section 1 discusses the state aids, property tax data, and state taxes and gives the assumptions and caveats for using the report. It contains current and historical data using graphs, and tables in both total dollars and on a per capita basis.

Section 2 presents statewide summary data. The section contains the summary data for the most recent available year on the statewide totals and compares the metro and the nonmetro economic development regions to each other.

Throughout the report, dollar values are rounded to the nearest whole dollar, unless otherwise noted. Percentage values are rounded to the nearest one-tenth of 1 percent (0.1 percent). As a result, rounded values may not exactly sum to 100 percent.

Changes to Report

Beginning with the 2019 update (containing data for 2016), summary and regional data formerly found in the report have been moved to an interactive online tool.¹ The interactive tool has the capacity to produce the same tables and maps used in earlier versions of the report, along with additional maps and graphs. The paper version of the report still contains current and historical data for each major state aid/credit and tax, but the maps associated with each have also been moved to the online tool.

2018 Aids and Taxes

The total taxes presented in this report **are not the total of all taxes collected by the state.**² The total state net tax receipts were about \$24.0 billion in fiscal year 2017 and \$25.2 billion in fiscal year 2018.³ Therefore, the \$21.4 billion total taxes listed in this report (residents and nonresidents) is about 85 percent of the total taxes actually collected over that period. In terms of revenue generated in fiscal year 2018, the most significant taxes not included in the report are tobacco taxes, gross earnings taxes, other excise taxes, the provider tax, and estate taxes.

The taxes presented in this report are the latest available data and/or the next data in sequence to the previous report. In some cases, a tax may be collected across multiple fiscal years. For example, income taxes for tax year 2017 were partially paid through withholding and estimated payments in calendar year 2017, and final payments during calendar year 2018. As a result, income taxes for tax year 2017 are collected in fiscal years 2017, 2018, and 2019. To address these issues, the report includes data for a given tax that most closely matches fiscal year 2018.

Statewide

The state aids and credits listed in this report total about \$18.7 billion, an increase of 6.6 percent from the previous year. The totals of the seven major taxes listed in this report equal \$19.7 billion paid by residents and an additional \$1.7 billion paid by nonresidents (for a total tax amount of \$21.4 billion), an increase of 5 percent from the previous year.

Local property tax levies in the report total about \$9.4 billion, an increase of 6.6 percent from the previous year. Property tax refunds increased about 5.9 percent, to about \$674.6 million, over the same time period.

¹ <https://www.house.leg.state.mn.us/hrd/msa.aspx>

² Taxes not contained in the report include estate, mortgage registry and deed, insurance gross premiums, the health care provider tax (MinnesotaCare tax), mineral, cigarette and tobacco products, lawful gambling, and alcoholic beverages. The collections from some of these taxes are dedicated for specific purposes, and amounts are not available by county.

³ Minnesota Management and Budget, *Consolidated Fund Statement, 2019 November Forecast*, December 9, 2019, <https://mn.gov/mmb-stat/documents/budget/operating-budget/nov19fcst/nov19fcst-cfs.pdf>.

Metro/Nonmetro

The state aids and credits for the seven-county metro area total about \$10.1 billion, an increase of 6.5 percent from the previous year. The major taxes for the metro area equal about \$13.0 billion, an increase of about 5.9 percent from the previous year.

Local property tax levies in the metro area total about \$5.7 billion, an increase of 6.1 percent from the previous year. Property tax refunds paid in the metro area total about \$456 million, an increase of 5.7 percent over the same time period.

The state aids and credits contained in this report for the nonmetro area of the state total about \$8.5 billion, an increase of 6.8 percent from the previous year. The major taxes for the nonmetro area equal about \$6.7 billion, an increase of 2.8 percent from the previous year.

Local property tax levies in the nonmetro area of the state total about \$3.7 billion, an increase of 7.3 percent for the previous year. Property tax refunds paid in the nonmetro area total about \$219 million, an increase of 6.2 percent over the same time period.

2018 Aids and Taxes

(Amounts shown in \$ billions)

	Total Aids and Credits	Total Taxes
Metro	\$10.1	\$13.0
Nonmetro	\$8.5	\$6.7
Statewide Total		
Residents Only	\$18.7	\$19.7
Nonresidents Included	\$18.7	\$21.4

Five-Year Trends

Amounts shown in the statewide table include taxes paid by residents and nonresidents. The amounts paid each year by out-of-state taxpayers have not been allocated to any county. Thus, the annual amounts in the metro/nonmetro table will not total to the annual amounts in the statewide table.

Statewide

(Amounts shown in \$ billions)

	2014	2015	2016	2017	2018	5-Year Change
Total Aids and Credits	\$15.9	\$16.3	\$16.8	\$17.5	\$18.7	\$2.8 (17.6%)
Total Taxes	\$18.5	\$19.4	\$20.1	\$20.4	\$21.4	\$2.9 (15.5%)

Metro/Nonmetro

(Amounts shown in \$ billions)

	2014	2015	2016	2017	2018	5-Year Change
Metro						
Total Aids and Credits	\$8.7	\$8.9	\$9.1	\$9.5	\$10.1	\$1.4 (16.2%)
Total Taxes	\$11.0	\$11.6	\$12.2	\$12.3	\$13.0	\$2.0 (18.3%)
Nonmetro						
Total Aids and Credits	\$7.1	\$7.4	\$7.7	\$8.0	\$8.5	\$1.4 (19.4%)
Total Taxes	\$6.1	\$6.2	\$6.4	\$6.6	\$6.7	\$0.7 (11.1%)

Long-Term Trends

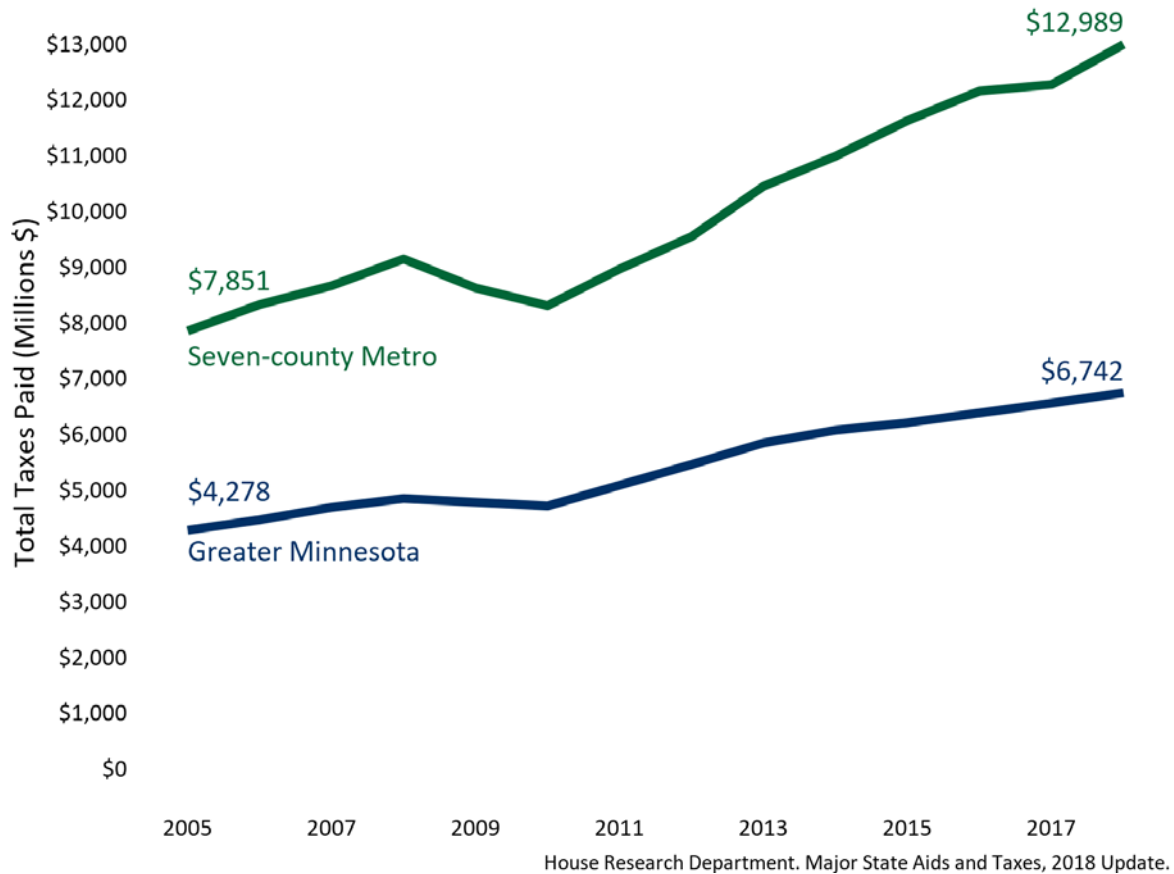
Trend in total taxes paid

Historically, the seven-county metro has paid more in taxes than greater Minnesota, both in terms of total taxes paid and per capita taxes paid. Since 2005, the relative amount of taxes paid by the metro in comparison to greater Minnesota has increased on an absolute basis, but has decreased on a per capita basis.

In 2005, the seven-county metro paid about 83.5 percent more in taxes (\$7.85 billion) than greater Minnesota (\$4.28 billion). That ratio grew to 92.6 percent in 2018 (\$12.99 billion for the metro and \$6.74 billion for greater Minnesota).

Total Taxes Paid in the Seven-County Metro and Greater Minnesota, 2005 to 2018

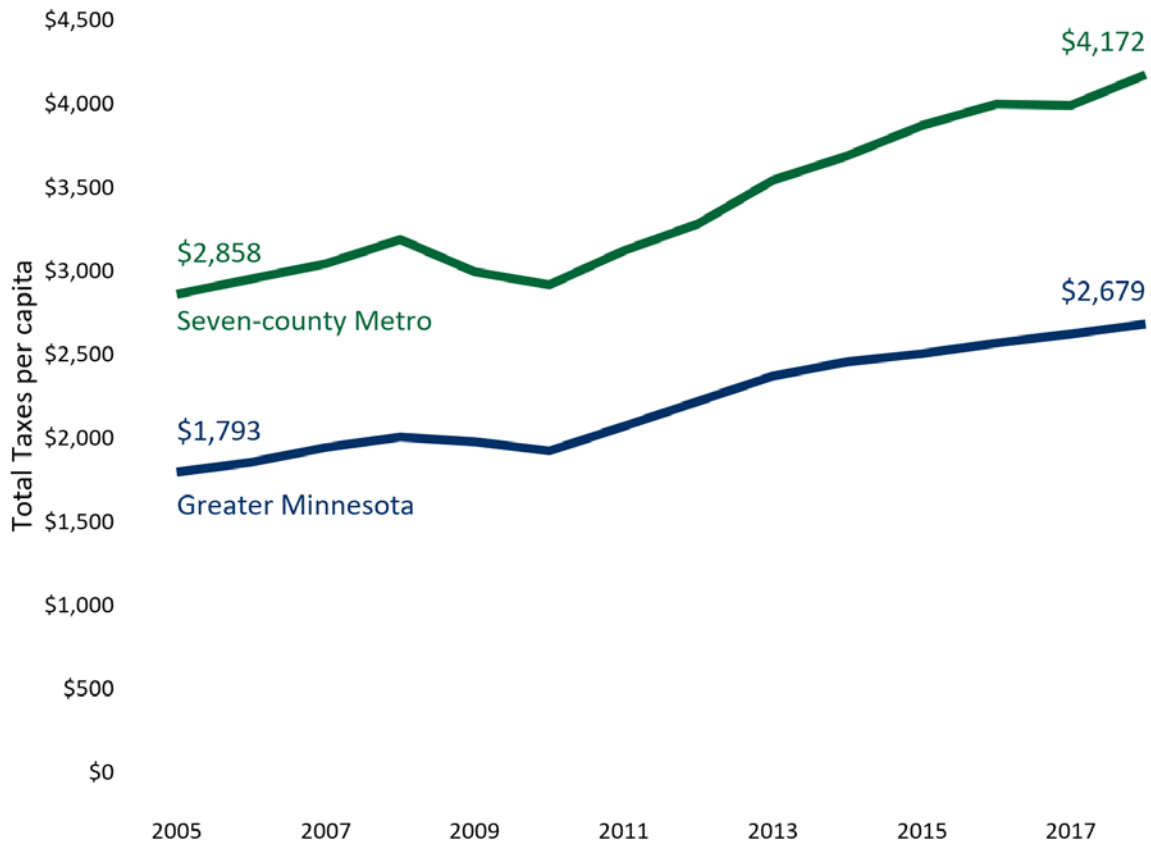
Amounts in nominal millions of dollars



In 2005, the seven-county metro paid about 59.3 percent more in taxes per capita (\$2,858) than greater Minnesota (\$1,793). That ratio decreased to 55.7 percent in 2018 (\$4,172 for the metro and \$2,679 for greater Minnesota).

Taxes Paid Per Capita in the Seven-County Metro and Greater Minnesota, 2005 to 2018

Amounts in nominal dollars per capita



House Research Department. Major State Aids and Taxes, 2018 Update.

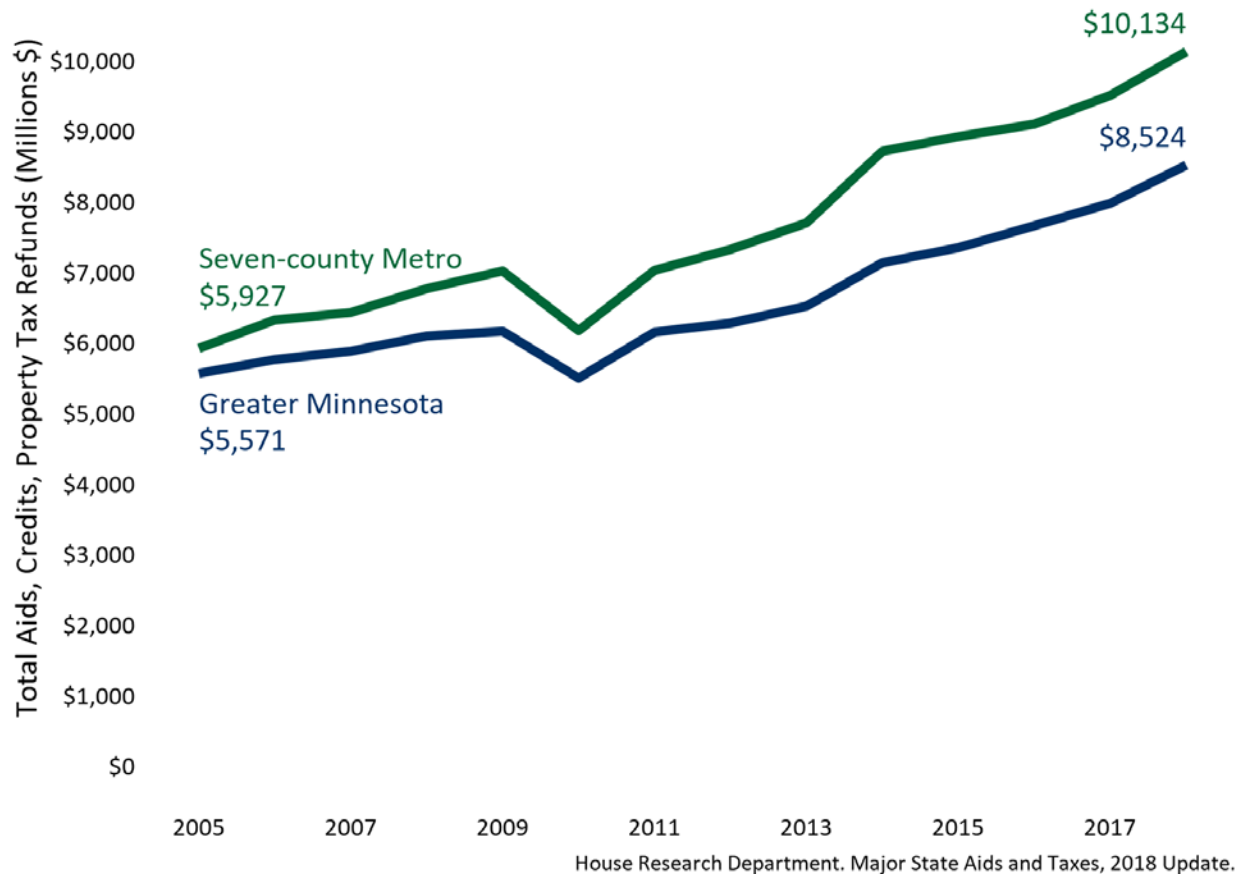
Trend in total aids, credits, and property tax refunds

Since at least 2005, the seven-county metro has historically received more in aids, credits, and property tax refunds on an absolute basis, but—with the exception of 2014—greater Minnesota has received more aids, credits, and property tax refunds on a per capita basis. The gap between the seven-county metro and greater Minnesota has grown in absolute terms, but has not changed significantly on a per capita basis.

The metro received 6.3 percent more in aids, credits, and property tax refunds in 2005, but that gap grew to 18.7 percent in 2018. The growth in this gap may reflect faster population growth in the metro—which grew 13.0 percent over that period—compared to greater Minnesota, which grew only 5.5 percent.

Total Aids, Credits, and Property Tax Refunds, Metro and Greater Minnesota

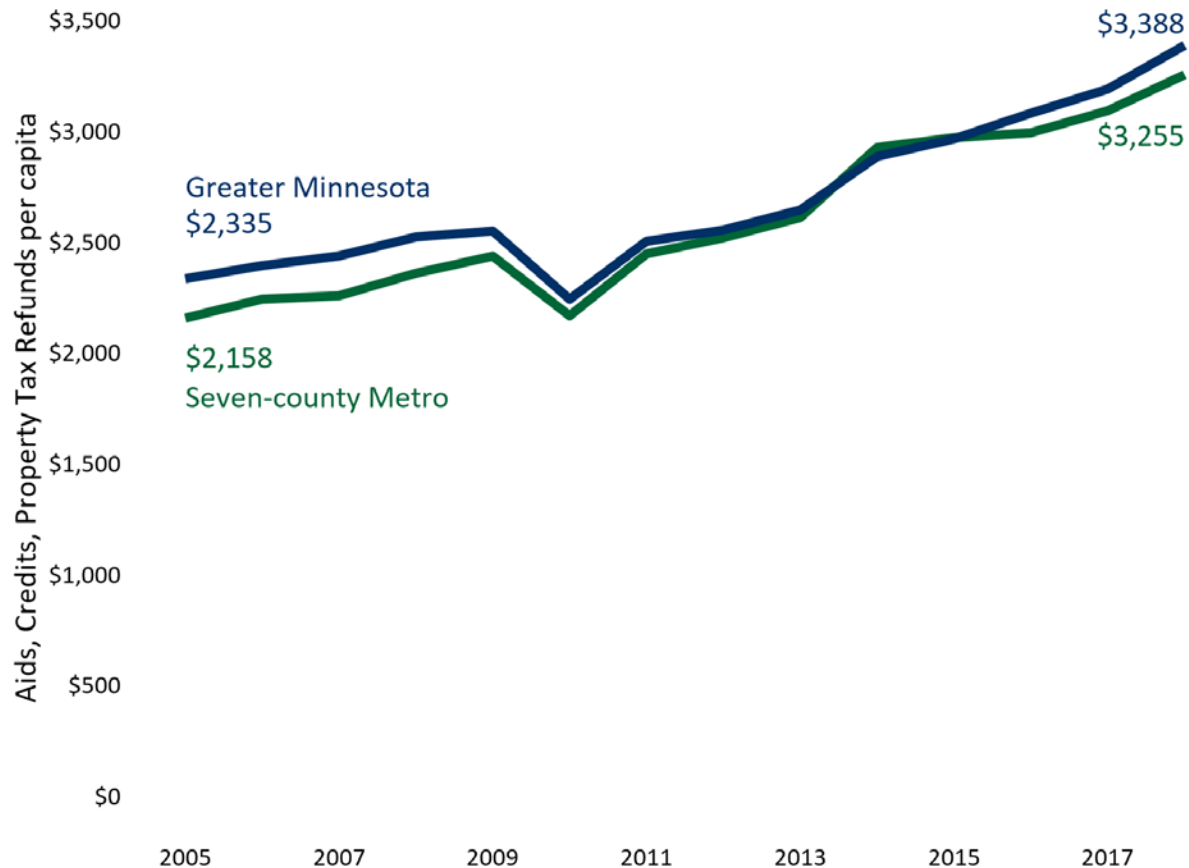
Amounts in nominal millions of dollars



Greater Minnesota has historically received slightly more aids, credits, and property tax refunds per capita, but the amounts received by the metro have been similar. In 2014, the metro actually received more aids, credits, and property tax refunds per capita. There does not appear to be a strong trend in the ratio of aids, credits, and property tax refunds per capita between the two regions.

Total Aids, Credits, and Property Tax Refunds, Metro and Greater Minnesota

Amounts in nominal dollars per capita



House Research Department. Major State Aids and Taxes, 2018 Update.

Section 1: Current and Historical Data

Section 1 contains the most recent available data for the major state aids, credits, and taxes and describes the programs under the general categories in the tables of this report. The assumptions and caveats for using the report are mentioned in this section. In addition to information from the most recent year, section 1 also contains historical information. The data is for a five-year time period.

Section 1 is divided into three parts:

- Major state aids
- Property tax data
- Major state taxes

Some of the data in this section are county-level, while other tables and graphs are by Economic Development Region⁴ or groupings of regions. One table and one graph use northern and southern groupings of the 80 nonmetro counties. The groupings were selected for convenience, rather than for any specific analytical purpose. The northern and southern regions are grouped as follows:

Northern Regions		Southern Regions	
1	Northwest	6E	Six East
2	Headwaters	6W	Upper Minnesota Valley
3	Arrowhead	7W	Central Minnesota
4	West Central	8	Southwest
5	Five	9	Nine
7E	East Central	10	Southeastern Minnesota

The seven metro counties are not included in either the northern or southern regions and are region 11.

The standard format for each aid or tax consists of three or four pages of information. The first one to two pages provide a program description of the aid or tax. Any recent law changes that affect the program and are important in analyzing the data are noted on these pages. Following the program description is a table containing the historical data for the state and its geographic areas. Lastly, there is a statewide graph containing a trend of the data in nominal dollars and in constant dollars, adjusted for inflation using the implicit price deflator for state and local

⁴ Department of Employment and Economic Development, Economic Development Regions, <https://apps.deed.state.mn.us/assets/lmi/areamap/edr.shtml>.

government expenditures. This is the only place where amounts presented are adjusted for inflation.

Major State Aids

Education Aid

Program Description

Education aid is the total amount of state aid paid to school districts for all K-12 educational purposes. This amount includes state aid for general education, special education, transportation, community education, capital expenditure, secondary vocational, and other miscellaneous programs. About 80 percent of the total aid (including aid to charter schools) is general education aid.

Aid Amount and Reporting

2017/2018 Education Aid: \$8.8 billion

The total education aid for the 2017/2018 school year is \$8,834,494,072. This total includes \$725,364,835 that went to the 164 charter schools that received funding in the 2017/2018 school year. The amounts received by school districts for property tax credits (i.e., agricultural market value credit, taconite homestead credit, disparity reduction credit, etc.) are not included in this amount since they are itemized elsewhere in the report.

Education aid is paid to school districts, many of which operate in more than one county. Education aid paid to school districts that operate in more than one county is apportioned to the various counties based on each county's share of total residential market value in the school district. For example, if one-fifth of the residential market value of a school district is in County A, two-fifths in County B, and the remaining two-fifths in County C, then one-fifth of the school district's education aid is apportioned to County A, two-fifths to County B, and two-fifths to County C. Aid to charter schools is reported in the county in which each school is located.

The 2017/2018 education aid total does not include the following amounts paid to entities other than school districts:

- \$131.3 million to intermediate school districts⁵
- \$71.3 million to cooperative school organizations
- \$33.3 million to colleges and universities participating in the postsecondary enrollment options (PSEO) program
- \$25.1 million to Head Start programs
- \$7.9 million to nonprofits operating adult basic education
- \$3.4 million to the Faribault Academies for the Deaf and Blind
- \$2.1 million to four tribal contract schools

⁵ An intermediate school district is an educational cooperative authorized by statute and voluntarily created by participating school districts. Intermediate school districts offer special education services, vocational services, alternative learning programs, and administrative services for member school districts.

Education aid by home county⁶ by school district was obtained from the Minnesota Department of Education.

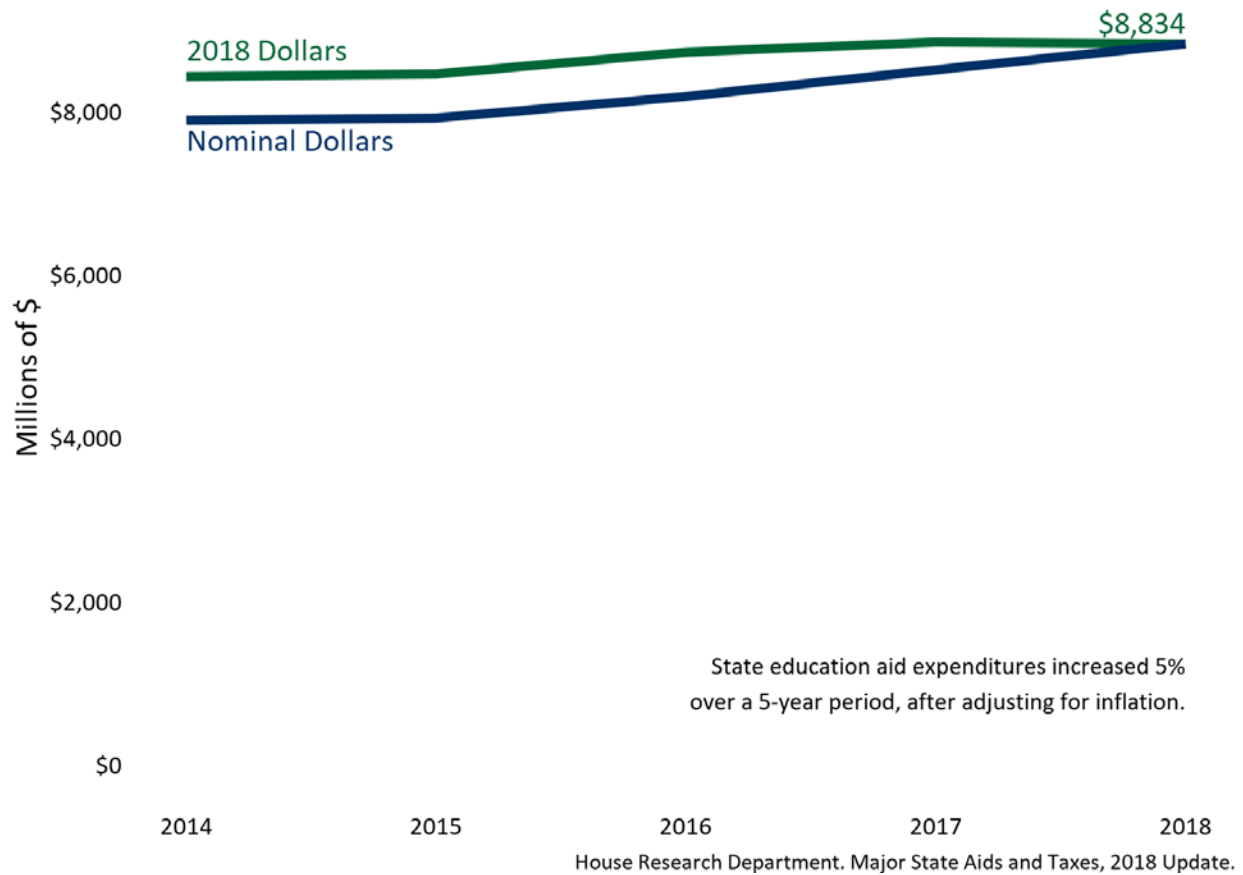
The Past Five Years of Education Aid

The table shows the distribution of education aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of education aid for the same time period in nominal and constant (inflation-adjusted) dollars.

Education Aid: 2013/2014 School Year to 2017/2018 School Year
Nominal dollars, in thousands

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	5-Yr. Chg. Aid
State	\$7,901,200	\$7,926,620	\$8,190,071	\$8,516,442	\$8,834,494	12%
<u>Northern Regions</u>						
Northwest (1)	132,786	131,642	135,179	140,313	143,381	8
Headwaters (2)	136,477	141,025	146,686	155,411	160,312	17
Arrowhead (3)	395,197	406,577	417,594	431,838	445,109	13
West Central (4)	299,874	305,250	318,237	335,175	345,179	15
Five (5)	226,540	230,225	235,640	246,025	254,065	12
East Central (7E)	212,177	221,452	228,932	236,415	243,920	15
<u>Southern Regions</u>						
Six East (6E)	164,250	165,764	170,546	178,913	186,459	14
Upper MN Valley (6W)	65,740	65,146	67,158	70,349	73,157	11
Central MN (7W)	602,281	624,799	645,483	676,944	702,682	17
Southwest (8)	181,225	182,153	189,529	198,015	206,743	14
Nine (9)	287,047	287,637	297,002	309,368	321,421	12
Southeastern MN (10)	687,962	693,965	720,572	750,888	777,947	13
Total Nonmetro	\$3,391,556	\$3,455,635	\$3,572,558	\$3,729,654	\$3,860,377	14%
<u>Metro Region</u>						
Hennepin County	1,729,886	1,692,472	1,756,907	1,818,622	1,892,019	9
Ramsey County	863,162	872,729	902,050	933,610	961,751	11
Remaining Metro	1,916,596	1,905,784	1,958,556	2,034,555	2,120,348	11
Total Metro	\$4,509,644	\$4,470,985	\$4,617,513	\$4,786,788	\$4,974,117	10%

⁶ A district's "home county" is the county in which the district's main administrative office is located.

Statewide Education Aid, 2014-2018

Human Services Aid

Program Description

Human services aid is the total amount of state aid for human services programs, including all income maintenance and social service programs. Although the federal government and the counties contribute money to programs in varying degrees, the amounts in this report reflect only the state's share of the human services costs.

Aid Amount and Reporting

2018 Human Services Aid: \$7.2 billion

The state's share of the human services expenditures for calendar year 2018 is \$7,215,917,253. The table shows the dollar amount of each of the major income maintenance and social service programs, and the share of total human services funding.

Type of Program	Amount	Percent
Medical Assistance (MA)	\$4,853,774,096	67.3%
Minnesota Family Investment Program (MFIP)	70,928,927	1.0
General Assistance (GA)	49,476,643	0.7
MinnesotaCare (MNCare)	19,555,814	0.3
Social Services (including Community Social Services Act)	2,048,162,173	28.4
Miscellaneous:		
Minnesota Supplemental Assistance	39,813,961	0.6
Group Residential Housing	131,417,829	1.8
Supplemental Nutrition Assistance Program (SNAP)	1,265,329	0.0
Title IV Child Support	1,522,481	0.0
Total	\$7,215,917,253	100%

State MFIP spending shown in this report is before offsetting any current year child support collections applied against current and prior years' MFIP payments. In calendar year 2018, MFIP spending in Minnesota totaled \$333.0 million (\$214.9 million federal, \$55.0 million state, \$31.3 million county), and offsetting child support collections totaled \$31.8 million. Half of these collections offset federal costs and half offset state costs.

The human services amounts, other than MinnesotaCare, are not available by county in four cases where the listed counties jointly provide services through a combined program:

- Des Moines Valley Health and Human Services (DVHHS)—Cottonwood and Jackson
- Human Service Board—Faribault and Martin
- Minnesota Prairie (MN Prairie)—Dodge, Steele, and Waseca

- Southwest Health and Human Services (SWHHS)—Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock

In these four groups, human services aid is administered through a “home” county: Jackson in DVHHS, Martin in the Human Service Board, Steele in MN Prairie, and Lyon in SWHHS. The total human service amount for DVHHS is \$33.5 million, for the Human Service Board is \$52.1 million, for MN Prairie is \$80.5 million, and for SWHHS is \$103.3 million. An amount for these 13 counties was estimated using population, and the estimated amounts appear in the county tables on the interactive tool. Human services aid data was obtained from the Department of Human Services, Financial Management Division.

The Past Five Years of Human Services Aid

The table below shows the distribution of human services aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of human services aid for that same time period in nominal and constant (inflation-adjusted) dollars.

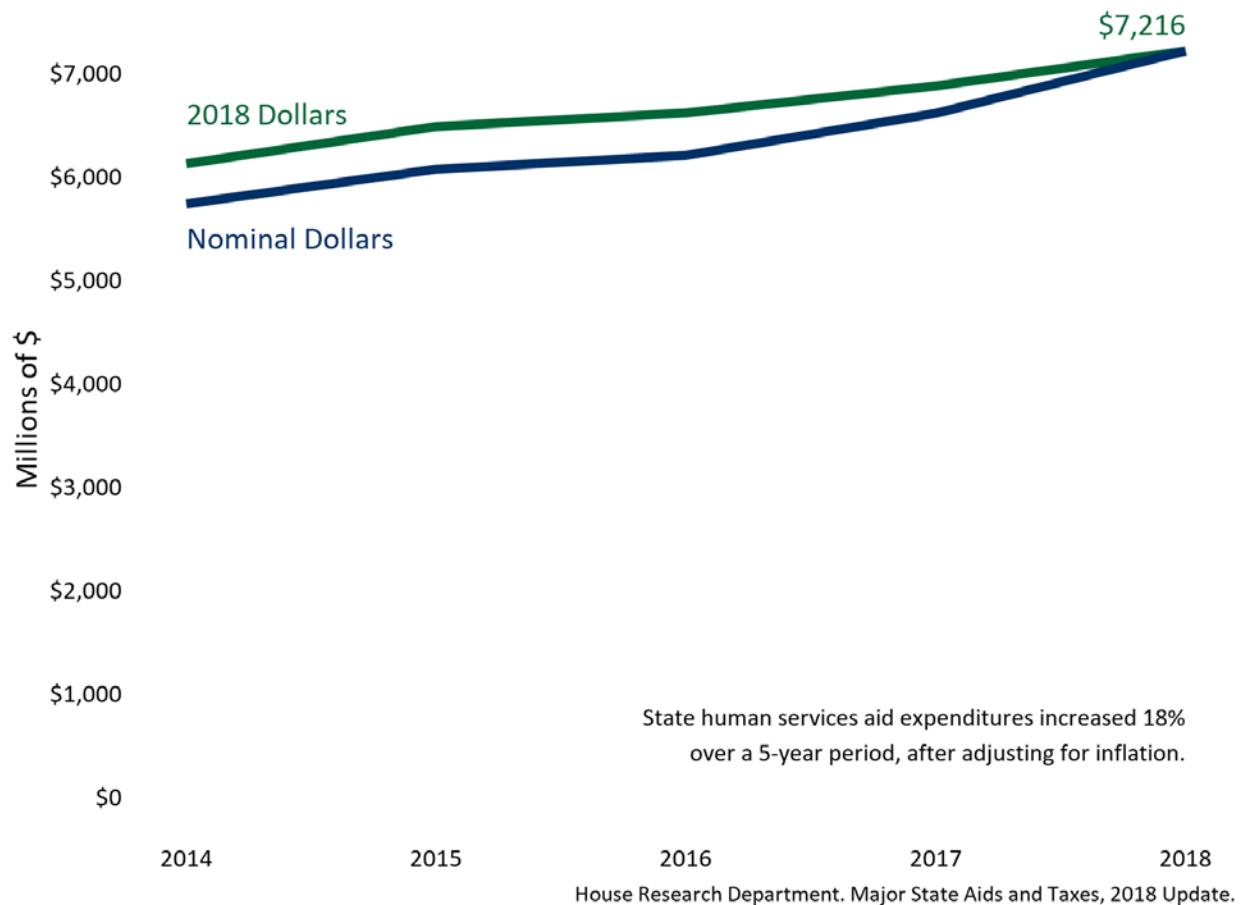
Human Services Aid: Calendar Years 2014 to 2018⁷
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
State	\$5,737,905	\$6,072,061	\$6,205,627	\$6,613,083	\$7,215,917	26%
<u>Northern Regions</u>						
Northwest (1)	95,560	100,053	108,049	113,113	125,816	32
Headwaters (2)	123,845	127,371	136,001	140,890	156,041	26
Arrowhead (3)	417,569	442,544	459,848	467,481	527,345	26
West Central (4)	237,319	248,929	266,642	277,900	304,037	28
Five (5)	200,346	211,800	223,101	232,315	249,611	25
East Central (7E)	157,220	167,006	176,977	229,191	198,084	26
<u>Southern Regions</u>						
Six East (6E)	113,476	120,141	129,944	134,616	148,429	31
Upper MN Valley (6W)	55,586	58,706	62,209	62,008	71,331	28
Central MN (7W)	308,684	330,077	352,802	377,410	415,048	34
Southwest (8)	124,613	128,353	138,080	137,743	161,550	30
Nine (9)	216,830	223,729	235,233	245,643	270,234	25

⁷ In 2012 to 2014, a small amount of MinnesotaCare subsidies are included in the state totals, but cannot be identified by county or region; as a result the state total for those years is slightly greater than the sum of the regions.

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
Southeastern MN (10)	436,998	463,783	485,864	512,277	560,070	28
Total Nonmetro	\$2,488,046	\$2,622,492	\$2,774,749	\$2,930,586	\$3,187,598	28%
<u>Metro Region</u>						
Hennepin County	1,552,999	1,654,645	1,619,188	1,731,686	1,902,234	22
Ramsey County	792,916	839,715	832,146	894,235	970,040	22
Remaining Metro	903,799	955,210	979,526	1,056,539	1,156,046	28
Total Metro	\$3,249,714	\$3,449,569	\$3,430,860	\$3,682,460	\$4,028,319	24%

Statewide Human Services Aid, 2014-2018



Highway Aid

Program Description

Highway aid is the total amount of state aid distributed to counties, cities, and towns for highway purposes. It includes four basic types of aid: (1) amounts distributed to all counties and eligible cities from state tax revenues; (2) amounts distributed to counties, cities, and towns from state bond proceeds; (3) amounts distributed to towns for town roads and bridges; and (4) amounts distributed to some counties from sales taxes on motor vehicle leases. The sources of these funds are the Highway User Tax Distribution fund (from a portion of the motor fuels tax, motor vehicle registration tax, and motor vehicle sales tax revenues), general sales tax from motor vehicle leases, and proceeds from state bonds.

Most of the aid is distributed according to a combination of constitutional and statutory formulas. The Minnesota Constitution sets the distribution formula for 95 percent of the money in the Highway User Tax Distribution (HUTD) fund: 29 percent is allocated to the County State-Aid Highway Fund, 9 percent to the Municipal State-Aid Street Fund for cities with populations over 5,000, and 62 percent to the state Trunk Highway Fund. Allocation of the remaining 5 percent of the HUTD fund is determined by the legislature. Following a statutory formula, a little under half of the set-aside was used for town roads and town bridges. The rest went into a flexible highway account that was used for road improvements on “turnbacks” in which trunk highways generally become part of local road systems.

Aid Amount and Reporting

2018 Highway Aid: \$951.6 million

The total \$951.6 million in state highway aid paid in calendar year 2018 to the counties, cities (i.e., municipal), and towns is shown by category in the following table. Road and bridge bond funding amounts are the total expenditures made during 2018 (using the proceeds from state bonds that had been authorized in 2018 or previous years).

Type of Highway Aid	Amount	Total
County Aid		
County State-Aid Highway	\$611,904,787	
County Road and Bridge Bond Funding	42,954,061	
Motor Vehicle Lease Sales Tax Aid	<u>39,779,721</u>	
County Aid Total		\$694,638,569
Municipal Aid		
Municipal State-Aid Street	\$192,286,547	
Municipal Road and Bridge Bond Funding	<u>15,555,534</u>	
Municipal Aid Total		\$207,842,081

Type of Highway Aid	Amount	Total
Township Aid		
Town Road Account	\$36,430,535	
Town Bridge Account*	12,643,344	
Town Bridge Bond Funding	0	
Township Aid Total		<u>\$49,073,879</u>
Total Highway Aid		\$951,554,528
* The Department of Transportation sets aside a portion of Town Bridge Account funding for flexible distribution as needed throughout the state. Amounts in this special Town Bridge Account set-aside are not always spent within the calendar year and are not included in this report.		

County and municipal turnback money is not included in the state totals. This money is used to repair former state highways that have been or are being “turned back” to counties and municipalities. In 2018, the state allocated approximately \$60.4 million to the county turnback account, \$0 to the municipal turnback account, and \$0 for trunk highway turnbacks (administered by Department of Transportation district offices). There were disbursements of \$81.8 million to counties and \$0 to municipalities. The amount disbursed for trunk highway turnbacks is not available. The amount spent on turnbacks in each county is not readily available.

In fiscal year 2018, total highway funding from state sources other than bond proceeds amounted to nearly \$2.41 billion for both state and local road systems. This total accounts for the \$951.6 million in state aid in this report.

Highway aid data was obtained from the Department of Transportation.

Recent Law Changes

The 2008 Legislature provided for 50 percent of motor vehicle lease sales tax revenues in excess of a base amount⁸ to be transferred to the County State-Aid Highway Fund, for allocation to metro area counties other than Hennepin and Ramsey. The first year a transfer occurred under this provision was in 2012. A temporary cap on the amount going to counties was set for fiscal year 2014.

The legislature has regularly authorized bonding for local roads and bridges. Authorizations totaled \$40 million in 2012 (with an additional \$30 million for disaster relief), \$4.5 million for disaster relief in 2013, \$36.6 million in 2014, \$32.28 million in 2015 (with an additional \$3 million for disaster relief), no additional bonds in 2016, \$238.7 million in 2017, and \$115.4 million in 2018. The amounts include bond funding for local road and bridge programs, specific projects, and highway-rail grade crossing and grade separation projects. This report shows local

⁸ The remaining 50 percent over the base amount is transferred to the greater Minnesota transit account.

road and bridge bonding amounts in the year the bond funds were expended, which may lag behind when they were authorized. (The lag is largely because bonds are sold based on the annual cash flow needs of funded projects rather than all at once.)

The Past Five Years of Highway Aid

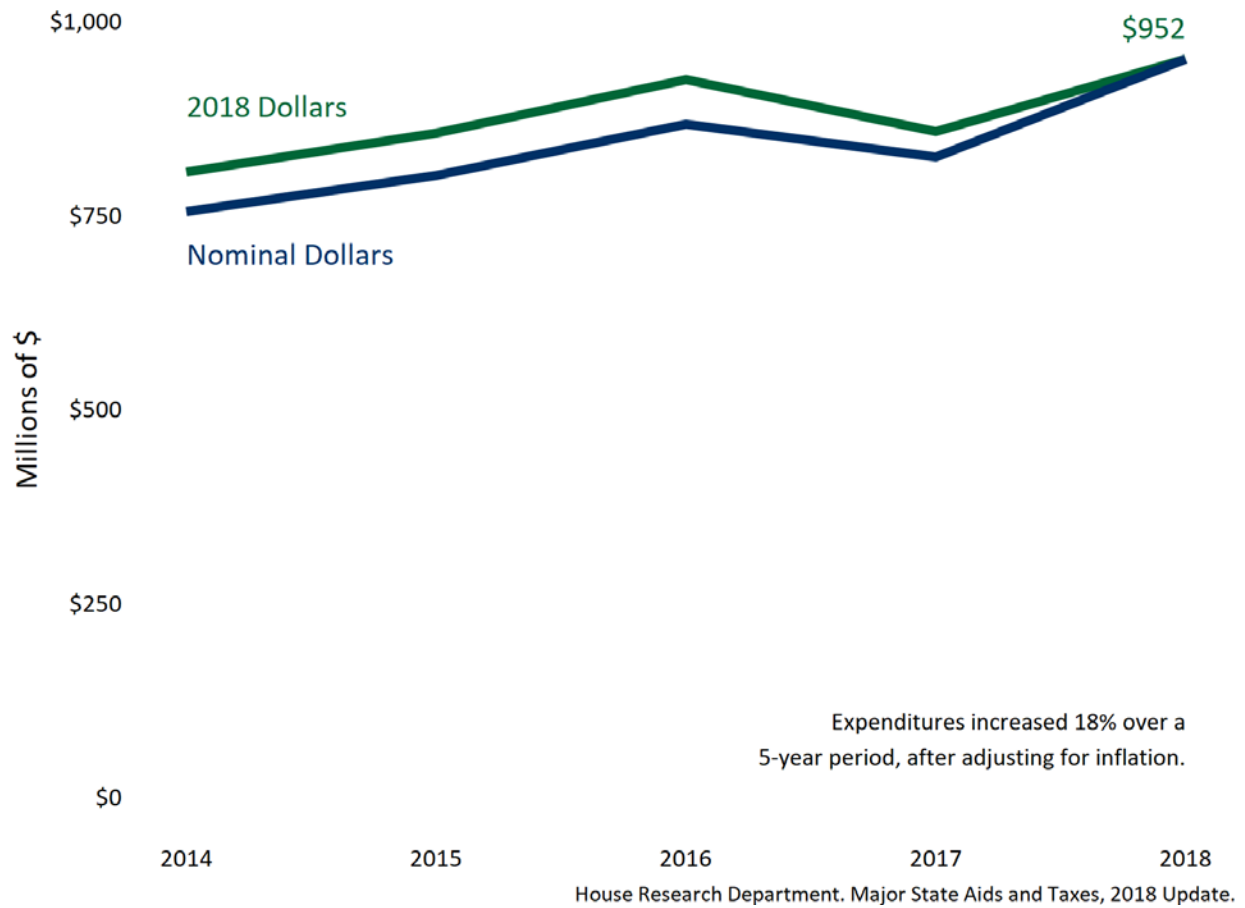
The table below shows the distribution of highway aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of highway aid for that same time period in nominal and constant (inflation-adjusted) dollars.

Highway Aid: Calendar Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
State	\$755,094	\$801,688	\$867,629	\$825,307	\$951,555	26%
<u>Northern Regions</u>						
Northwest (1)	37,021	39,211	40,668	40,014	44,426	20
Headwaters (2)	20,900	21,808	24,354	23,552	28,304	35
Arrowhead (3)	87,281	77,304	85,094	78,001	83,712	-4
West Central (4)	50,659	54,422	58,576	57,250	72,603	43
Five (5)	29,536	31,289	32,832	32,573	36,312	23
East Central (7E)	27,751	29,612	30,203	29,811	34,911	26
<u>Southern Regions</u>						
Six East (6E)	24,929	24,717	26,692	26,363	29,177	17
Upper MN Valley (6W)	18,482	18,725	20,707	20,034	23,726	28
Central MN (7W)	41,670	45,852	47,390	47,829	50,788	22
Southwest (8)	41,577	41,462	43,903	43,774	51,978	25
Nine (9)	49,500	53,039	54,420	53,253	62,286	26
Southeastern MN (10)	84,163	85,029	87,506	85,797	97,662	16
Total Nonmetro	\$513,469	\$522,470	\$552,345	\$538,249	\$615,886	20%
<u>Metro Region</u>						
Hennepin County	85,124	90,223	116,100	94,598	111,556	31
Ramsey County	40,155	53,491	54,613	46,706	56,245	40
Remaining Metro	116,347	135,504	144,571	145,755	167,867	44
Total Metro	\$241,625	\$279,218	\$315,284	\$287,058	\$335,668	39%

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
Note: The previous version of this report failed to show some highway spending enacted in disaster relief bills. The historical table has been revised to include an additional \$34 million in 2014.						

State Highway Aid, 2014-2018



Local Government Aid (LGA)

Local government aid (LGA) is a state program that provides property tax relief by giving general purpose financial support to cities. “Ability to pay” and “need” are the measures used in the formula. Ability to pay is the city’s adjusted net tax capacity multiplied by the average city tax rate.

The legislature enacted the current LGA formula during the 2013 session, effective beginning with aids payable in 2014. There have been minor changes since 2014, but the formula functions as it did following the 2013 change. The formula contains three measures of need depending on a city’s size:

- for small cities, with a population less than 2,500, need is based on the city size, up to a maximum per capita amount, and a sparsity adjustment for any city with a population density less than 30 per square mile;
- for medium cities, with a population of at least 2,500 but less than 10,000, need is based on (1) percent of housing built before 1940, (2) household size, (3) population decline from a city’s peak population in the last 40 years, and (4) a sparsity adjustment for any city with a population density less than 30 per square mile; and
- for large cities, with a population of 10,000 or more, need is based on (1) jobs per capita, (2) age of housing stock (both housing built before 1940 and housing built between 1940 and 1970), and (3) a sparsity adjustment for cities with a population density less than 150 per square mile.

If the aid a city received in the previous year exceeds its “unmet need” (the difference between its need and its ability to pay), its aid is reduced to its unmet need. All other cities receive an amount equal to their previous year’s aid plus an additional amount based on their unmet need.

Aid Amount and Reporting

2018 Local Government Aid: \$534.4 million

The 2018 certified LGA total was \$534.4 million.

LGA data was obtained from the Department of Revenue.

Recent Law Changes

LGA appropriation change in 2019

The city LGA appropriation is permanently increased by \$26 million for aids payable in 2020 with an additional \$4 million beginning in 2021. The aid appropriation is \$564,398,012 for aids payable in 2021 and thereafter. Also, for calendar year 2020 only, no city’s aid amount may be less than its aid in 2019.

LGA formula and appropriation changes in 2017

Several minor changes were made to the existing city LGA program during the 2017 session, affecting aids payable in 2018 and thereafter, including:

- A formula correction to ensure that no cities' aid could be reduced below their "unmet need" amount. Although 24 cities have their aid reduced below their unmet need in calendar year 2017, no correction is made to their 2017 payments, nor is the starting point for calculating their 2018 payments adjusted to reflect the 2017 error.
- A sparsity measure was added to the medium and small cities need formula for cities with a population density less than 30 persons per square mile.
- The transition range used to move a city from the need formula for medium-size cities to the formula for large cities is expanded by 500 people, to cover the range of 10,000 to 11,000 population.
- For aids paid in calendar year 2019 only, 29.2 percent of each city's July payment was paid a month early—by June 15, 2019, to balance the state's biennial budget.
- The city LGA appropriation is permanently increased by \$15 million beginning with aids payable in 2018.

LGA formula change in 2014

The 2013 Legislature corrected a drafting error that impacted the LGA losses to cities that were getting more aid than their "unmet need" under the formula, effective for 2014 aid. Without the fix, a city that should have its LGA gradually decreased to its "unmet need" amount would have experienced bigger aid decreases if the total LGA appropriation were increased.

LGA formula prior to 2014

The main formula used prior to 2014 also depended on "ability to pay" and "need" measures similar to the new formula, however there were only two measures of need:

- For cities with population of 2,500 or more, need was determined by five characteristics: population decline, age of the housing stock, if the city was in the seven-county metro area, average number of vehicular accidents over the most recent three-year period, and household size.
- For cities with population less than 2,500, need was determined by population decline, age of housing stock, percent of the property in the city classified as commercial or industrial, and a population adjustment factor.

The program also distributed additional aid to cities with a population less than 5,000 based on population, and to cities with a population of 5,000 or more based on the ratio of jobs to population in the city.

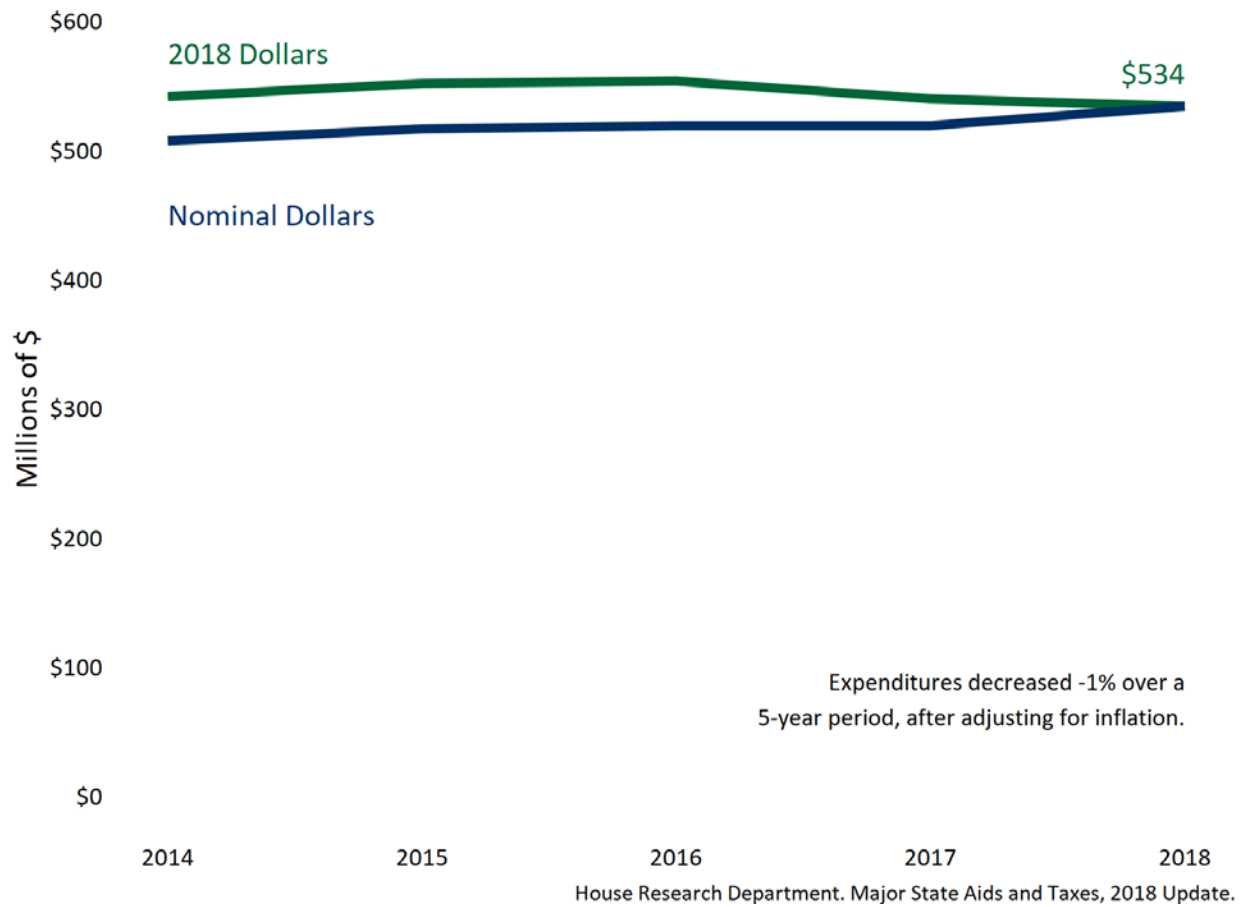
The formula did not guarantee any city received its aid from the previous year, outside of certain minimums, but redistributed the entire appropriation every year. The resulting volatility of payments to individual cities was partially addressed in several formula changes made in 2009. The new formula enacted in 2013 significantly reduced payment volatility.

The Past Five Years of Local Government Aid

The table below shows the distribution of LGA in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of LGA for that same time period in nominal and constant (inflation-adjusted) dollars.

Local Government Aid: Calendar Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
State	\$507,598	\$516,898	\$519,398	\$519,398	\$534,398	5%
<u>Northern Regions</u>						
Northwest (1)	16,967	17,141	17,147	17,169	17,409	3
Headwaters (2)	5,979	6,022	6,041	6,053	6,234	4
Arrowhead (3)	70,647	71,200	71,273	71,260	73,070	3
West Central (4)	27,998	28,265	28,341	28,374	28,758	3
Five (5)	15,065	15,288	15,321	15,317	15,793	5
East Central (7E)	10,001	10,375	10,483	10,527	11,128	11
<u>Southern Regions</u>						
Six East (6E)	17,456	17,736	17,801	17,830	18,352	5
Upper MN Valley (6W)	9,890	9,979	9,986	9,975	10,163	3
Central MN (7W)	27,381	28,179	28,432	28,555	30,013	10
Southwest (8)	24,186	24,450	24,513	24,527	25,078	4
Nine (9)	43,221	43,628	43,668	43,633	44,704	3
Southeastern MN (10)	66,481	67,442	67,578	67,553	69,402	4
Total Nonmetro	\$335,272	\$339,706	\$340,583	\$340,774	\$350,104	4%
<u>Metro Region</u>						
Hennepin County	87,917	90,107	90,835	90,883	92,264	5
Ramsey County	67,074	68,536	69,072	69,311	72,369	8
Remaining Metro	17,335	18,550	18,908	18,430	19,661	13
Total Metro	\$172,326	\$177,192	\$178,815	\$178,624	\$184,294	7%

Statewide Local Government Aid, 2014-2018

Disparity Reduction Aid (DRA)

Program Description and Aid Amount and Reporting

2018 Disparity Reduction Aid: \$18.1 million

Disparity reduction aid is a state aid program that distributed \$18,147,976 to counties, towns, and school districts in 2018. The aid is directed to taxing jurisdictions in areas that had inordinately high tax rates in the base year of 1988. The basis for computing the aid amount is the relationship of the area's 1988 tax rate to a benchmark tax rate of 100 percent of tax capacity. The amount paid under this program has not changed in the last five years.

Disparity Reduction Aid: 2018

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$461	2.5%
	Headwaters (2)	237	1.3
	Arrowhead (3)	10,773	59.4
	West Central (4)	319	1.8
	Five (5)	363	2.0
	East Central (7E)	142	0.8
Southern Regions	Six East (6E)	368	2.0
	Upper MN Valley (6W)	573	3.2
	Central MN (7W)	157	0.9
	Southwest (8)	817	4.5
	Nine (9)	855	4.7
	Southeastern MN (10)	1,718	9.5
Total Nonmetro		\$16,783	92.5%
Metro Region	Hennepin County	740	4.1
	Ramsey County	593	3.3
	Remaining Metro	32	0.2
Total Metro		\$1,365	7.5%
State Total		\$18,148	100.0%

County Program Aid

Program Description

One-half of the funding for county program aid is distributed based on each county's relative shares of (1) persons receiving food stamps, (2) age-adjusted population (population weighted more heavily for the number of persons over age 65), and (3) the reported number of Part I (serious) crimes. The other half is distributed based on a formula that takes into account each county's population and its property wealth. This distribution encompasses some of the distribution factors from the four programs that county program aid replaced in 2004: homestead and agricultural credit aid (HACA), county criminal justice aid (CCJA), family preservation aid (FPA), and attached machinery aid (AMA).

Aid Amount and Reporting

2018 County Program Aid: \$234.1 million

The total amount of county program aid certified for aids payable in 2018 was \$234.1 million. This total is after subtraction of \$500,000 to pay for court-ordered counsel⁹ and \$214,000 to pay for preparation of local impact notes.

The county program aid data was obtained from the Department of Revenue.

Recent Law Changes

For 2011, the initial allocation was set at \$197.5 million. This was reduced by \$36.4 million to \$161.1 million in the 2011 special session tax law, which also set the 2012 aid amount at the lesser of the amount paid in 2010 or the amount certified in 2011.

For 2013, the legislature set the appropriation level at \$165.6 million. The 2013 Legislature increased the appropriation by \$40 million for aids payable in 2014 and thereafter.

The 2015 appropriation included \$1.5 million in onetime supplemental aid to Mahnommen County.

In 2017, the legislature changed the parameters of the distribution formula.

In 2019, the legislature increased the aid appropriation by \$26 million for aids payable in 2020 with an additional \$4 million added for aids payable in 2021 and thereafter.

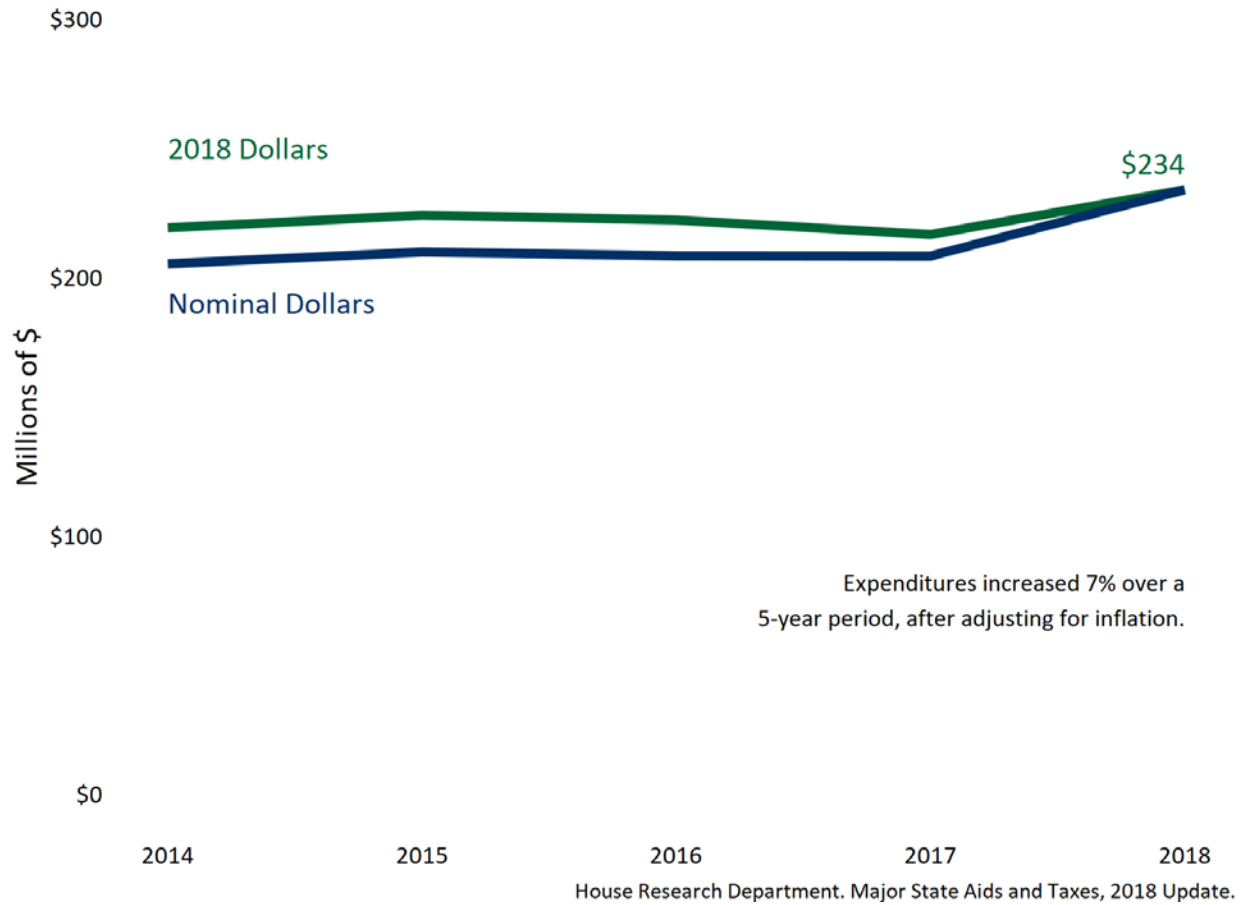
⁹ \$500,000 was authorized for court-ordered counsel in 2016, which was offset by \$108,280 of the 2015 authorization that was unspent.

The Past Five Years of County Program Aid

The table below shows the distribution of county program aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of county program aid for that same period in nominal and constant (inflation-adjusted) dollars.

County Program Aid: Payable Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
State	\$205,497	\$209,969	\$208,563	\$208,457	\$234,091	14%
<u>Northern Regions</u>						
Northwest (1)	3,544	3,269	2,953	2,836	4,408	24
Headwaters (2)	5,304	9,824	8,393	8,260	8,949	69
Arrowhead (3)	16,767	17,258	17,754	17,537	19,161	14
West Central (4)	8,901	8,453	8,160	7,931	10,447	17
Five (5)	6,611	6,680	6,813	6,717	7,634	15
East Central (7E)	8,703	9,035	9,297	9,219	9,800	13
<u>Southern Regions</u>						
Six East (6E)	4,793	4,584	4,567	4,710	5,482	14
Upper MN Valley (6W)	987	883	861	853	2,567	160
Central MN (7W)	18,470	19,163	19,518	19,480	21,108	14
Southwest (8)	3,008	2,167	2,275	2,641	5,329	77
Nine (9)	8,408	7,308	7,278	8,062	10,086	20
Southeastern MN (10)	21,873	21,024	21,659	22,097	24,137	10
Total Nonmetro	\$107,369	\$109,647	\$109,529	\$110,342	\$129,107	20%
<u>Metro Region</u>						
Hennepin County	31,793	32,040	31,791	30,838	32,204	1
Ramsey County	16,416	16,933	17,098	16,941	17,477	6
Remaining Metro	49,919	51,349	50,145	50,335	55,303	11
Total Metro	\$98,128	\$100,322	\$99,034	\$98,115	\$104,984	7%

County Program Aid, 2014-2018

Community Corrections Funding

Program Description

Although counties assume much of the cost of their community correctional services, the state provides significant direct funding and in-kind services. Counties choose to receive state funding and/or services from one of three basic funding systems: the community corrections act (CCA), county probation officer (CPO), and the Department of Corrections (DOC). For 2018, the counties were funded as follows:

- Thirty-four counties were CCA counties. This group contains a majority of the state's population, including most of the Twin Cities metropolitan area.
- Fifty-three counties were non-CCA counties. Although the DOC provides adult felony supervision to all 53 of these counties, there are two delivery systems that are generally referenced as follows:
 - "CPO" counties, which provide their own juvenile and adult misdemeanor supervision; and
 - "DOC" counties, which have their juvenile and adult misdemeanor supervision provided by the DOC.

To keep the counties on a comparable basis, the dollar amount of in-kind services provided by the DOC is included in this report, even though these counties do not receive an "aid payment" per se from the state.

Aid Amount and Reporting

2018 Community Corrections Funding: \$91.6 million

In 2018, state funding for community corrections was \$91,579,947.¹⁰ The table below lists the calendar year 2018 statewide total amounts for the various community corrections funding programs.

Program	Amount	Percent
CCA aid	\$43,076,477	47.0%
CPO reimbursement aid	5,043,000	5.5
DOC field services	17,485,970	19.1
Adult felony caseload reduction	977,786	1.1
Caseload/workload reduction	14,430,022	15.8
Intensive supervision	6,676,000	7.3
Enhanced supervision of adult sex offenders	3,890,692	4.2
Total Aid and In-kind Services	\$91,579,947	100.0%

¹⁰ An additional \$15.2 million, not included in this report, was distributed for miscellaneous categorical services.

The DOC distributes some adult felony reduction aid, caseload/workload reduction aid, and intensive supervision aid to regional groups of counties. These counties and the DOC regions they belong to are listed in the table below.

Region	Counties
Central Minnesota	Aitkin Crow Wing Morrison
DFO	Dodge Fillmore Olmsted
Tri-County	Norman Polk Red Lake
Arrowhead	Carlton Cook Koochiching Lake St. Louis
Region 6W	Chippewa Lac Qui Parle Swift Yellow Medicine
Rock/Nobles	Rock Nobles
Todd/Wadena	Todd Wadena

CCA amounts are apportioned to the individual counties within each region based on a five-year average distribution within the groups of counties of Part I crimes,¹¹ as reported by the Department of Public Safety.

The community corrections funding data was obtained from the DOC.

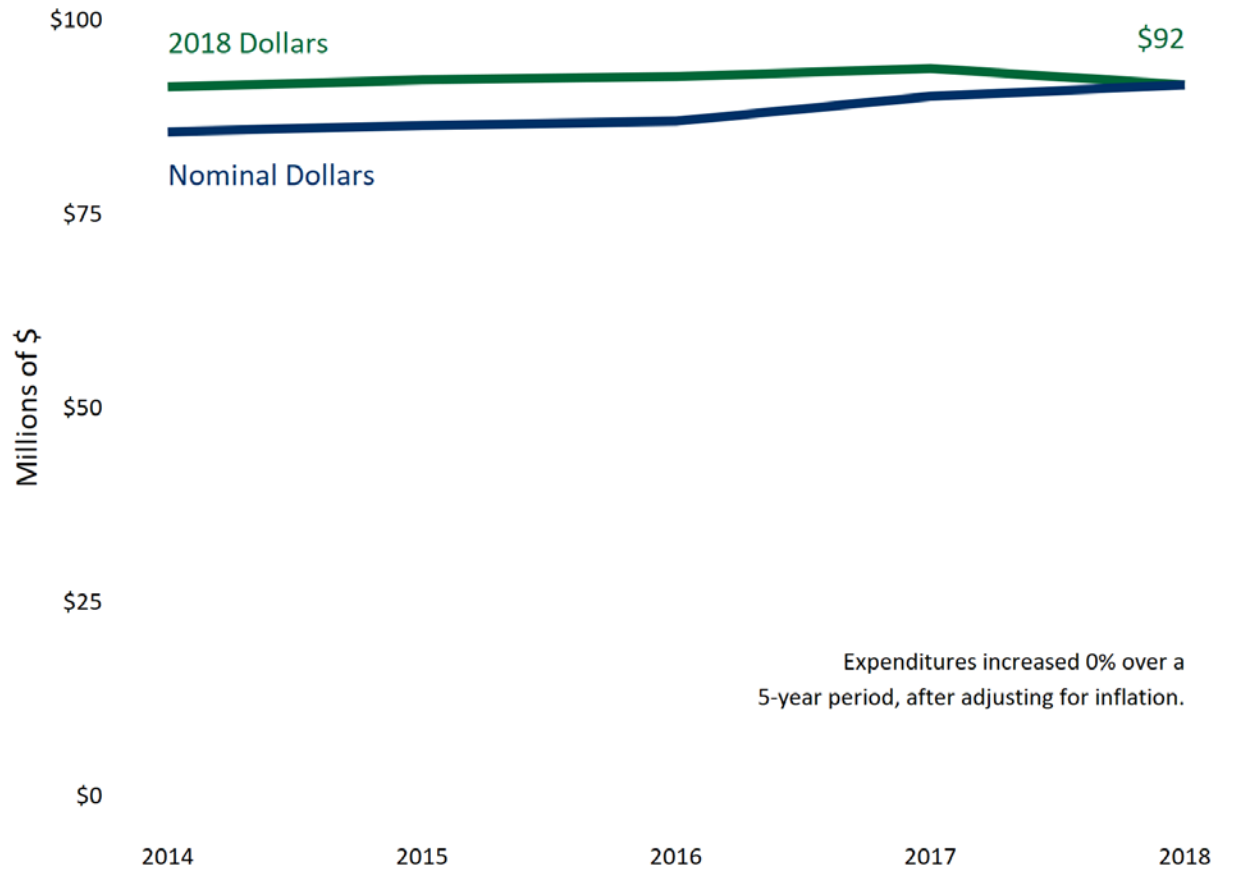
¹¹ Part I crimes are the most serious crimes: murder and non-negligent homicide, rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny, and arson.

The Past Five Years of Community Corrections Funding

The table below shows the distribution of community corrections funding in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of community corrections funding for that same period in nominal and constant (inflation-adjusted) dollars.

Community Corrections Funding: Calendar Years 2014 to 2018 Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Aid
State	\$85,543	\$86,347	\$86,905	\$90,091	\$91,580	7%
<u>Northern Regions</u>						
Northwest (1)	1,857	1,912	1,835	1,689	1,941	5
Headwaters (2)	2,064	2,157	2,103	1,878	2,202	7
Arrowhead (3)	7,189	7,180	7,511	7,647	7,607	6
West Central (4)	3,931	4,047	3,754	3,496	4,072	4
Five (5)	2,818	2,854	2,970	3,013	3,077	9
East Central (7E)	3,614	3,690	3,604	3,426	3,753	4
<u>Southern Regions</u>						
Six East (6E)	2,119	2,096	2,099	1,967	2,170	2
Upper MN Valley (6W)	776	782	788	750	811	5
Central MN (7W)	5,653	5,734	5,188	5,797	6,422	14
Southwest (8)	2,221	2,345	2,230	1,963	2,413	9
Nine (9)	4,193	4,250	4,242	6,104	4,529	8
Southeastern MN (10)	7,433	7,605	7,600	7,695	8,378	13
Total Nonmetro	\$43,866	\$44,652	\$43,922	\$45,425	\$47,376	8%
<u>Metro Region</u>						
Hennepin County	17,690	17,690	18,134	18,772	18,505	5
Ramsey County	10,063	10,063	10,406	10,813	10,644	6
Remaining Metro	13,924	13,942	14,442	15,082	15,054	8
Total Metro	\$41,677	\$41,695	\$42,982	\$44,667	\$44,204	6%

Community Corrections Funding, 2014-2018

House Research Department. Major State Aids and Taxes, 2018 Update.

Homestead Credit Refund - Homeowners

Program Description

The homestead credit refund, formerly called the property tax refund for homeowners, is a program in which the state partially reimburses homeowners for part of their property taxes if the taxes exceed a percentage of household income. Generally, the higher the property tax and the lower the income, the higher the refund. The legislature establishes the income and property tax thresholds, reimbursement rates, and maximum refund amounts for the program. Each qualifying homeowner must apply directly to the state for a refund.

Aid Amount and Reporting

2017 (filed 2018) Homestead Credit Refund: \$453.6 million

Total homestead credit refunds for 2017 returns is \$453,598,089. These returns are based on 2017 income and property taxes payable in 2018, and filed beginning in 2018.

Homeowners*	Number of Returns	Total Amount	Average Refund
Senior/Disabled	208,435	\$206,242,308	\$989
Under 65 Years	273,902	247,355,781	903
Total	482,337	\$453,598,089	\$940
* Includes claimants who are part-year homeowners and part-year renters for that year's claim.			

Recent Law Changes

The 2011 Legislature expanded the homeowner program by increasing the maximum refund to \$2,460 for homeowners with household incomes less than \$37,280 and decreasing the copayment percentage for all claimants with incomes from \$10,880 to \$93,240.

The 2013 Legislature renamed the program the "Homestead Credit Refund" and further expanded the program by decreasing the threshold percentages to 2 percent for incomes from \$19,530 to \$65,049, and to 2.5 percent for higher incomes, effective for refunds based on taxes payable in 2014. In addition, the department was required to notify homeowners if available data suggests they might be eligible for a refund of at least \$1,000. The notification program was a onetime effort scheduled for 2014 and limited to homeowners not already claiming the refund.

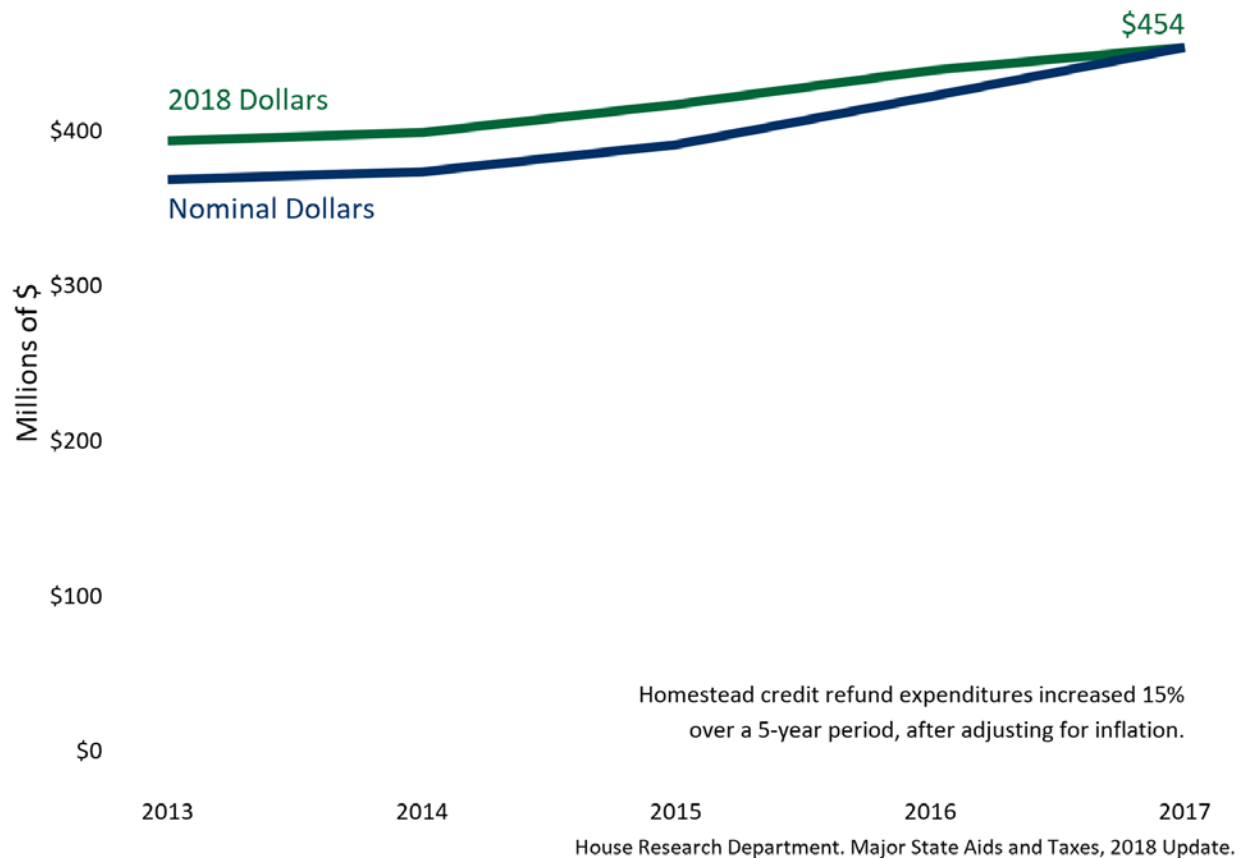
Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for less than 1 percent of 2017 claims. This report apportions these claims to counties based on each county's share of total claims.

The Past Five Years of Homestead Credit Refund

The table below shows the distribution of the homestead credit refund in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the property tax refund for homeowners for that same time period in nominal and constant (inflation-adjusted) dollars. The homestead credit refund historical data on this page excludes any targeting data.

Homestead Credit Refund: 2013 to 2017 (filed 2014 to 2018) Nominal dollars, in thousands

	2013	2014	2015	2016	2017	5-Yr. Chg. Tax
State	\$368,426	\$373,267	\$390,871	\$421,869	\$453,598	23%
<u>Northern Regions</u>						
Northwest (1)	2,014	1,777	2,155	2,642	2,920	45
Headwaters (2)	2,472	2,339	2,426	2,682	2,711	10
Arrowhead (3)	15,391	15,486	15,368	17,275	18,236	18
West Central (4)	9,011	8,561	9,559	10,942	11,716	30
Five (5)	7,050	7,143	7,627	8,309	8,578	22
East Central (7E)	11,840	12,961	13,150	15,154	16,500	39
<u>Southern Regions</u>						
Six East (6E)	5,112	4,764	5,563	6,177	6,587	29
Upper MN Valley (6W)	741	677	816	874	874	18
Central MN (7W)	25,588	26,288	28,146	31,602	34,203	34
Southwest (8)	2,111	1,930	2,206	2,626	2,933	39
Nine (9)	8,446	8,573	9,795	11,198	12,954	53
Southeastern MN (10)	23,348	23,545	25,530	28,916	31,999	37
Total Nonmetro	\$113,126	\$114,043	\$122,341	\$138,397	\$150,210	33%
<u>Metro Region</u>						
Hennepin County	120,763	118,102	118,020	124,953	131,839	9
Ramsey County	41,452	42,168	43,691	45,633	49,986	21
Remaining Metro	93,086	98,983	106,819	112,886	121,564	31
Total Metro	\$255,300	\$259,224	\$268,530	\$283,472	\$303,388	19%

Statewide Homestead Credit Refund, 2013-2017

Property Tax Refund - Renters

Program Description

The property tax refund for renters, also called the “renters’ credit,” is a program in which the state partially reimburses renters for part of their qualifying property taxes if the taxes exceed a percentage of household income. Generally, the higher the property tax and the lower the income, the higher the refund. The legislature establishes the income and property tax thresholds, reimbursement rates, and maximum refund amounts for the program and sets the amount of rent deemed to represent property taxes. Each renter must apply directly to the state for a refund.

Aid Amount and Reporting

2017 Filed 2018 Property Tax Refund for Renters: \$213.6 million

The total property tax refunds for 2017 returns filed in 2018 for renters is \$213,621,523. These returns are based on 2017 income and rent paid in 2018.

Renters	Number of Returns	Total Amount	Average Refund
Senior/Disabled	96,274	\$70,887,823	\$736
Under 65 Years	223,317	\$142,733,700	639
Total	319,591	\$213,621,523	\$668

Recent Law Changes

The 2010 Legislature reduced the percent of rent considered to represent property taxes from 19 percent to 15 percent, for refunds based on rent paid in 2009 only. This put into law the change made in Governor Pawlenty’s 2009 unallotment, which reduced the percentage from 19 to 15 for refunds based on rent paid in 2009. A 2010 decision of the Minnesota Supreme Court invalidated other portions of the unallotment and suggested that the entire unallotment was likely invalid. For refunds based on rent paid in 2010, the percentage reverted to 19 percent.

The 2011 Legislature reduced the percentage of rent considered property taxes from 19 percent to 17 percent, effective beginning with refunds based on rent paid in 2011.

The 2013 Legislature expanded both the homeowner and renter property tax refunds. The legislature decreased the threshold percentages for renters to be no higher than those for homeowners and increased the maximum refund for renters to \$2,000.

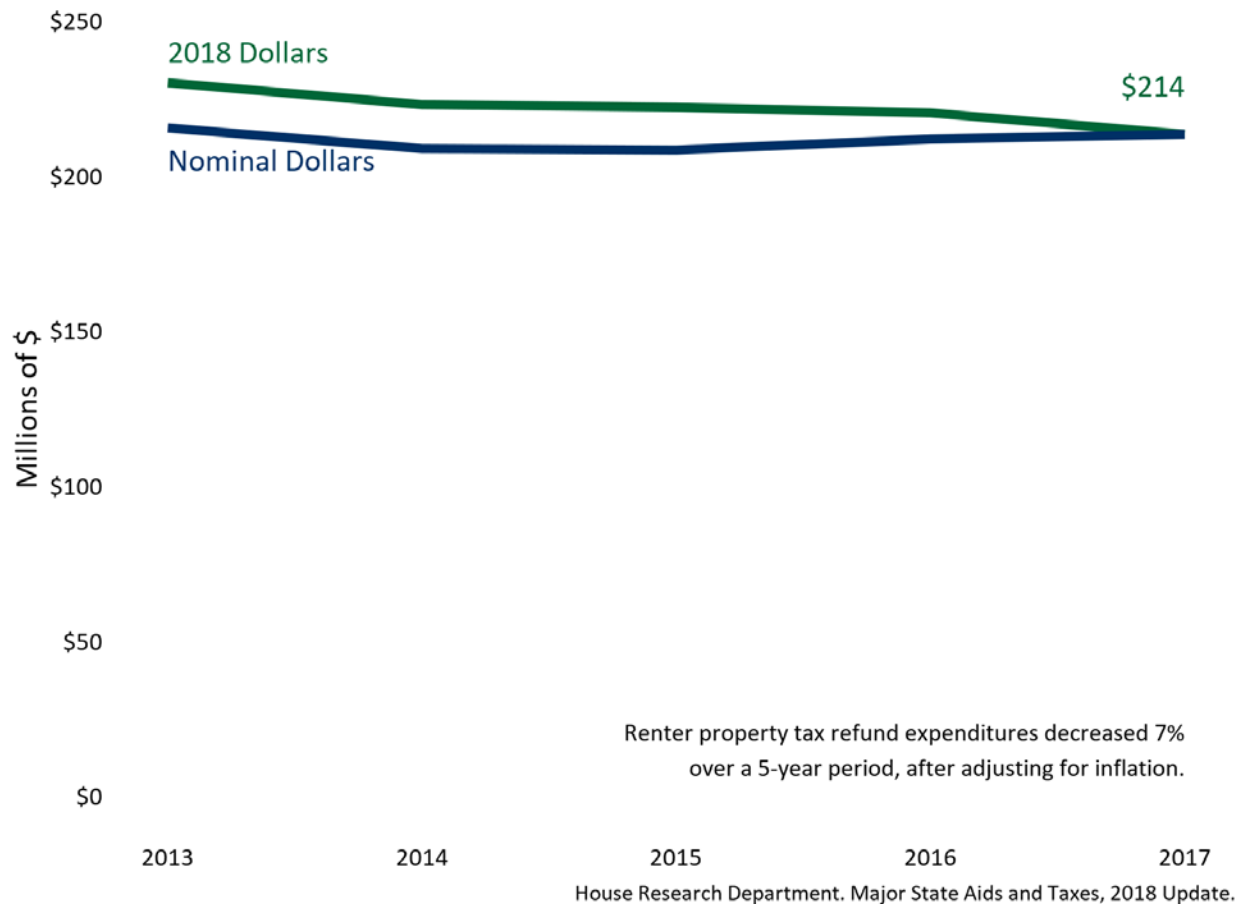
Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for about 1.4 percent of 2017 claims. This report apportions these claims to counties based on each county’s share of total claims.

The Past Five Years of Property Tax Refund for Renters

The table below shows the distribution of the property tax refund for renters in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the property tax refund for renters for that same time period in nominal and constant (inflation-adjusted) dollars.

Property Tax Refund for Renters: 2013 to 2017 (filed 2014 to 2018) Nominal dollars, in thousands

	2013	2014	2015	2016	2017	5-Yr. Chg. Aid
State	\$215,662	\$208,979	\$208,534	\$212,058	\$213,622	-1%
<u>Northern Regions</u>						
Northwest (1)	1,486	1,394	1,364	1,423	1,483	0
Headwaters (2)	1,805	1,711	1,702	1,702	1,763	-2
Arrowhead (3)	9,503	8,908	8,826	8,887	9,150	-4
West Central (4)	5,758	5,669	5,672	5,930	6,127	6
Five (5)	4,148	3,877	3,821	3,931	3,982	-4
East Central (7E)	3,899	3,717	3,727	3,764	3,589	-8
<u>Southern Regions</u>						
Six East (6E)	3,338	3,209	3,147	3,160	3,215	-4
Upper MN Valley (6W)	806	758	764	808	776	-4
Central MN (7W)	12,998	12,735	12,737	13,120	13,250	2
Southwest (8)	2,340	2,262	2,295	2,333	2,345	0
Nine (9)	6,406	6,008	5,957	6,199	6,262	-2
Southeastern MN (10)	14,999	14,486	14,385	14,568	14,702	-2
Total Nonmetro	\$67,486	\$64,734	\$64,398	\$65,826	\$66,643	-1%
<u>Metro Region</u>						
Hennepin County	70,153	68,200	67,706	68,758	68,517	-2
Ramsey County	33,865	33,026	33,017	33,397	33,953	0
Remaining Metro	44,158	43,019	43,412	44,077	44,508	1
Total Metro	\$148,176	\$144,245	\$144,135	\$146,232	\$146,978	-1%

Statewide Property Tax Refund for Renters, 2013-2017

Additional Homestead Credit Refund (Targeting)

Program Description

“Targeting” is an extension of the homestead credit refund program. The refund targets property tax relief to homeowners whose property tax increase over the previous year exceeds a threshold percentage set by the legislature. The homestead credit refund return (M1PR) contains a separate schedule for the targeting refund. The taxpayer files for this refund at the same time and in the same manner as for the homestead credit refund. However, unlike the homestead credit refund, all homeowners qualify for targeting regardless of their household income if the tax increase exceeds the specified percentage.

Aid Amount and Reporting

2018 Targeting Refunds: \$7.4 million

For returns filed in 2018 (for property taxes payable in 2018), the state paid 60 percent of the property tax increase over 12 percent (i.e., the taxpayer had to pay the first 12 percent increase over the previous year before qualifying for a refund), provided that the increase was greater than \$100. There were 87,019 returns filed in 2018 for a total amount of \$7,356,723. The average refund per return was \$87. (The maximum refund is \$1,000.)

Targeting refund amounts can change greatly from one year to the next in any given county. Factors resulting in large fluctuations in refunds in recent years include net tax changes due to volatility in the housing market and the phaseout of limited market value.

Six counties reported fewer than four claims for targeted refunds filed in 2018 by senior/disabled claimants or by nonsenior/nondisabled claimants (Chippewa, Clearwater, Mahnomon, Pipestone, Red Lake, and Wilkin). To protect taxpayer confidentiality, the Department of Revenue is unable to provide detailed counts for these counties. These refunds were included in the totals for “county undesignated.”

The total for which the county is undesignated represents 0.2 percent of all claims. This report apportions these claims to the 87 counties based on each county’s share of refunds.

Recent Law Changes

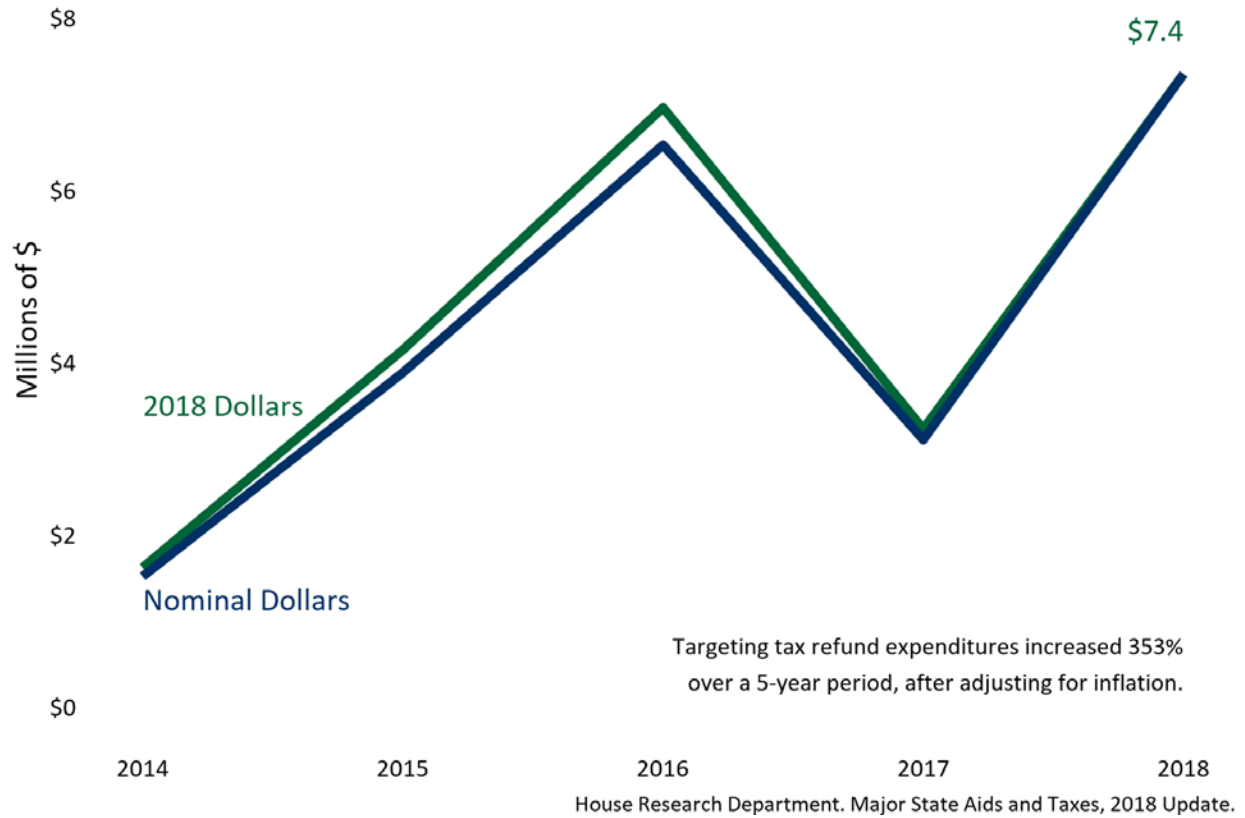
The statutory percentage of 60 percent was increased to 90 percent for taxes payable in 2012 only under Laws 2012, chapter 294, article 1, section 6. For refunds based on the change in tax from 2011 to 2012 only, the targeting refund equaled 90 percent of the property tax increase over 12 percent, up to the maximum refund of \$1,000.

The Past Five Years of Targeting Refunds

The table below shows the distribution of targeting refunds in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of targeting refund for that same time period in nominal and constant (inflation-adjusted) dollars.

Targeting: Filed 2014 through 2018 Nominal dollars, in thousands

	Filed 2014	Filed 2015	Filed 2016	Filed 2017	Filed 2018
State	\$1,523	\$3,889	\$6,533	\$3,110	\$7,357
<u>Northern Regions</u>					
Northwest (1)	10	4	126	61	43
Headwaters (2)	7	14	19	27	15
Arrowhead (3)	338	215	200	394	285
West Central (4)	39	48	318	120	168
Five (5)	36	110	205	80	105
East Central (7E)	113	330	234	181	183
<u>Southern Regions</u>					
Six East (6E)	14	26	131	79	97
Upper MN Valley (6W)	2	5	44	9	19
Central MN (7W)	52	151	562	176	178
Southwest (8)	7	5	185	106	84
Nine (9)	17	59	361	128	312
Southeastern MN (10)	75	165	306	339	442
Total Nonmetro	\$709	\$1,130	\$2,690	\$1,701	\$1,932
<u>Metro Region</u>					
Hennepin County	372	793	1,081	521	1,966
Ramsey County	169	863	589	449	1,774
Remaining Metro	273	1,102	2,174	438	1,685
Total Metro	\$814	\$2,758	\$3,844	\$1,409	\$5,425

Targeting Refunds, Filed 2014-2018

Property Tax Data

Market Value Agricultural Credit

Program Description

The market value agricultural credit was established by the 2001 Legislature, enhanced in 2002, and again in 2014.

The credit is equal to 0.3 percent of the first \$115,000 of taxable market value of the property, and 0.1 percent of the market value over \$115,000, to a maximum credit of \$490 per agricultural homestead. The maximum credit is reached at a market value of \$260,000. The credit does not apply to the value of the house, garage, and surrounding one acre of the agricultural homestead.

Payable 2018 Aid Amount and Reporting: \$37.7 million

For taxes payable in 2003 to 2006 and 2008 to 2011, the state did not fully compensate local governments for the credit computed on each taxpayer's tax statement due to state budget shortfalls. The taxpayers still received the credit.

For taxes payable in 2007 and 2012 to 2016, the state paid the full amount of the credit to local governments, including in 2014 a supplemental amount paid directly to taxpayers after property tax statements had been sent out. In payable 2018, the amount of the credit was \$37.7 million.

Market Value Agricultural Credit: Payable 2018

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$2,591	6.9%
	Headwaters (2)	1,185	3.1
	Arrowhead (3)	1,089	2.9
	West Central (4)	4,084	10.8
	Five (5)	2,921	7.8
	East Central (7E)	2,284	6.1
Southern Regions	Six East (6E)	2,270	6.0
	Upper MN Valley (6W)	1,698	4.5
	Central MN (7W)	3,280	8.7
	Southwest (8)	3,753	9.9
	Nine (9)	4,219	11.2
	Southeastern MN (10)	6,387	16.9
Total Nonmetro		\$35,760	94.8%

		Amount (thousands)	Percent of Total
Metro Region	Hennepin County	246	0.7
	Ramsey County	1	0.0
	Remaining Metro	1,730	4.6
Total Metro		\$1,978	5.2%
State Total		\$37,737	100.0%

School Building Bond Agricultural Credit

Program Description

The school building bond agricultural credit was established by the 2017 Legislature, became available beginning in 2018, and was modified in 2019. The credit is available to all agricultural property, except the house, garage, and immediately surrounding one acre of land of an agricultural homestead.

The credit is equal to a percentage of the tax on an agricultural property that is attributable to school district bonded debt levies. For property taxes payable in 2018 and 2019, the credit equaled 40 percent of this amount. Changes in 2019 increased this percentage to 50 percent in 2020, 55 percent in 2021, 60 percent in 2022, and 70 percent in 2023 and thereafter.

Payable 2018 Credit Amount: \$36.0 million

For taxes payable in 2018, the amount of the credit was \$36.0 million.

School Building Bond Agricultural Credit: Payable 2018

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	1,882	5.2%
	Headwaters (2)	718	2.0%
	Arrowhead (3)	1,018	2.8%
	West Central (4)	4,131	11.5%
	Five (5)	1,457	4.0%
	East Central (7E)	1,295	3.6%
Southern Regions	Six East (6E)	1,787	5.0%
	Upper MN Valley (6W)	1,435	4.0%
	Central MN (7W)	2,442	6.8%
	Southwest (8)	4,491	12.5%
	Nine (9)	5,491	15.2%
	Southeastern MN (10)	7,071	19.6%
Total Nonmetro		33,220	92.2%
Metro Region	Hennepin County	301	0.8%
	Ramsey County	10	0.0%
	Remaining Metro	2,506	7.0%
Total Metro		2,817	7.8%
State Total		36,036	100.0%

Miscellaneous Property Tax Credits

Payable 2018 Miscellaneous Credits: \$30.0 million

The total of the miscellaneous property tax credits for 2018 is \$30.0 million. This includes the taconite homestead credit, disparity reduction credit, power line credit, agricultural preserves credit, county conservation credit, and the disaster credits. A statewide breakdown of these miscellaneous credits is shown below.

Type of Credit	Amount
Taconite Homestead Credit	\$16,506,116
Disparity Reduction Credit	11,935,357
Power Line Credit	611,994
Agricultural Preserves/County Conservation Credits	981,635
State Disaster Credit	0
Local Option Disaster Credit	0
Total	\$30,035,102

The taconite homestead credit is the largest of the miscellaneous credits. Homeowners in the taconite tax relief areas, located in northern Minnesota on the Iron Range, receive a credit of either 57 percent of the net tax, capped at \$289.80 per homestead, or 66 percent of the net tax, capped at \$315.10 per household. The percentage of relief depends upon certain characteristics of the local jurisdiction, such as the value of the iron ore in the district, proximity to mines, etc. Over two-thirds of the credit, \$11.1 million, is paid from proceeds of the taconite production tax, while \$5.4 million is paid from the state general fund. The portion paid from the general fund is referred to as the supplemental homestead credit. The mobile home taconite homestead credit and any adjustment amounts for prior years are not included in the amounts shown.

The disparity reduction credit provides additional property tax relief in certain cities along Minnesota's western border. The credit applies to apartments, commercial-industrial, and public utility property only. The credit is the amount by which the net tax exceeds a specified percentage of the property's market value for affected properties.

Recent Changes

In 2014, the legislature expanded the disparity reduction credit program to include the city of Ortonville along the border with South Dakota beginning with taxes payable in 2015. Previously the program had only covered the cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead along the North Dakota border. Also, beginning with taxes payable in 2015, the credit threshold was reduced from 1.9 percent of market value to 1.6 percent.

Miscellaneous Property Tax Credits: Payable 2018

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$1,947	6.5%
	Headwaters (2)	11	0.0
	Arrowhead (3)	15,375	51.2
	West Central (4)	9,914	33.0
	Five (5)	1,177	3.9
	East Central (7E)	13	0.0
Southern Regions	Six East (6E)	23	0.1
	Upper MN Valley (6W)	179	0.6
	Central MN (7W)	122	0.4
	Southwest (8)	88	0.3
	Nine (9)	195	0.6
	Southeastern MN (10)	133	0.4
Total Nonmetro		\$29,179	97.1%
Metro Region	Hennepin County	184	0.6
	Ramsey County	0	0.0
	Remaining Metro	673	2.2
Total Metro		\$856	2.9%
State Total		\$30,035	100.0%

A county breakdown of the taconite homestead credit is shown below.

County	Taconite Credit
Aitkin	\$934,555
Cook	531,195
Crow Wing	1,172,456
Itasca	4,332,934
Koochiching	4,549
Lake	1,152,101
St. Louis	8,378,326
Total	\$16,506,116

Property Values and Levies

Statewide Property Value: Assessment Year 2017, Taxes Payable in 2018

Market Value:	\$691.2 billion
Market Value Exclusion:	\$28.1 billion
Taxable Market Value:	\$663.1 billion
Net Tax Capacity:	\$7.42 billion
Referendum Market Value:	\$530.9 billion

The total market value for taxes payable in 2018 is \$691.2 billion¹²; homestead market value exclusions of \$28.1 billion reduced this to \$663.1 billion of taxable market value. Class rates are applied to the taxable market value, resulting in total net tax capacity of \$7.42 billion. Net tax capacity is the tax base used for levies other than most referendum levies.

Referendum market value is the total market value excluding the value of agricultural and seasonal-recreational property, and is the tax base used for most referendum levies. The total referendum market value for taxes payable in 2018 is \$530.9 billion. The table shows the distribution of the two tax bases.

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
State	\$7,420,289,891	100%	\$530,932,020,424	100%
Northern Region				
Northwest (1)	140,211,197	1.9	5,284,802,779	1.0
Headwaters (2)	97,921,221	1.3	5,543,024,285	1.0
Arrowhead (3)	365,049,154	4.9	24,448,861,118	4.6
West Central (4)	368,213,449	5.0	18,020,673,635	3.4
Five (5)	241,475,772	3.3	12,531,399,494	2.4
East Central (7E)	142,743,018	1.9	11,397,242,717	2.1
Southern Regions				
Six East (6E)	165,381,130	2.2	7,873,482,230	1.5
Upper MN Valley (6W)	103,985,875	1.4	2,242,103,088	0.4
Central MN (7W)	435,045,317	5.9	33,988,594,388	6.4

¹² The state total excludes \$421 million of market value that is located in Job Opportunity Building Zones (JOBZ) and exempt from most property taxes.

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
Southwest (8)	265,712,144	3.6	6,819,156,178	1.3
Nine (9)	337,739,475	4.6	16,101,423,405	3.0
Southeastern MN (10)	597,251,956	8.0	39,750,486,711	7.5
Total Nonmetro	\$3,260,729,709	43.9%	\$184,001,250,029	34.7%
Metro Region				
Hennepin County	2,020,694,256	27.2	162,663,964,213	30.6
Ramsey County	598,753,443	8.1	49,840,586,732	9.4
Remaining Metro	1,540,112,483	20.8	134,426,219,450	25.3
Total Metro	\$4,159,560,182	56.1%	\$346,930,770,395	65.3%

Payable 2018 Net Property Tax Levy Before Credits: \$10.2 billion

The payable 2018 net property tax levy made by each type of taxing district is shown in the following table (excluding special assessments). The table includes \$8,202 million of local net tax capacity levy, \$1,180 million of referendum market value levy, and \$818 million of state general levy. The tables in section 2 show the net tax capacity levy and the market value levy combined by jurisdiction type. The school district referendum market value levy is \$1,045 million, nearly all of the \$1,180 million in total statewide market value levy. "Special taxing districts" include the Metropolitan Council, regional transit authorities, hospital districts, port authorities, watershed districts, etc.

Type of Taxing District	Payable 2018 Net Property Tax Levy (in millions)	Percent
County	\$3,139	30.8%
City/Town	\$2,645	25.93%
City	2,392	
Town	253	
School District	\$2,877	28.2%
Miscellaneous Districts	\$721	7.1%
Special Taxing Districts	486	
Tax Increment Financing	234	
Power Line	1	
State	\$818	8.0%
Total, all districts	\$10,200	100.0%

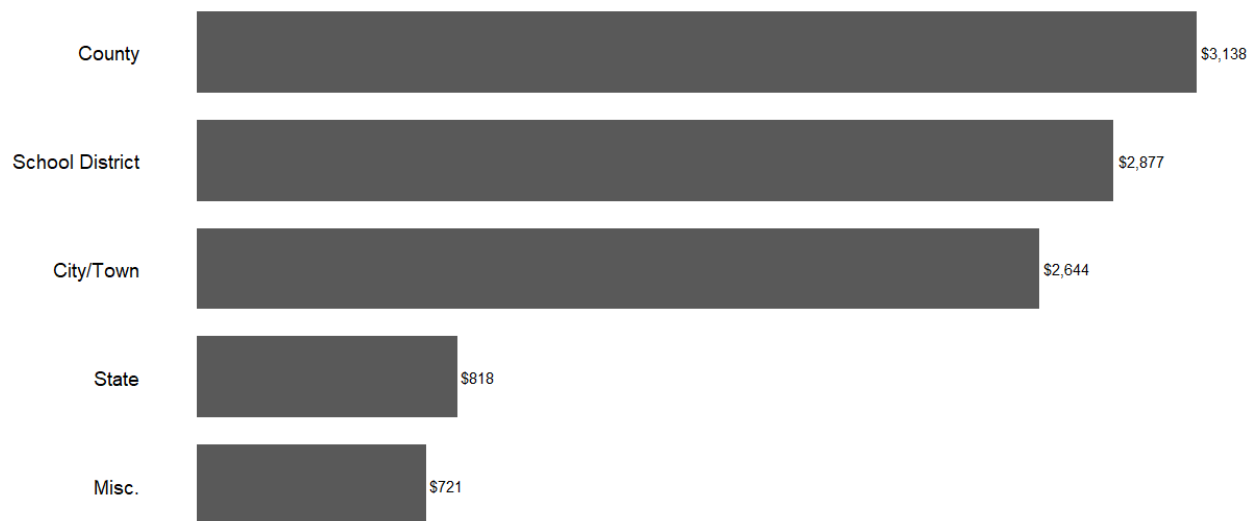
Note that in the statewide, region, and county tables (section 2 and online), the fiscal disparities levy is included in the “Miscellaneous District Levy,” since that is how it is reported to the Department of Revenue. A detailed breakdown of that levy by type of taxing jurisdiction by county is not available, while in the table above the fiscal disparities levy is included in the totals for the various jurisdiction types statewide. Note that the fiscal disparities levies attributed to taxing jurisdictions in the table above are \$5 million higher than the actual fiscal disparities levy (included in “Miscellaneous District Levy” in section 2 and online), because \$5 million was contributed to the metropolitan area fiscal disparities pool by the state of Minnesota. State payments to the pool are in effect from 2015 through 2018.

Payable 2018 Net Property Taxes Payable: \$10.1 billion

“Net property tax levy” is the amount levied before reductions for state-paid property tax credits. The net property tax payable, which is the amount that appears on property tax statements, is \$10.1 billion, which is the total levy of \$10.2 billion minus property tax credits of \$120 million.

Payable 2018 Property Tax Levies before Credits by Type of Taxing District

Statewide \$10,200 million



* Miscellaneous includes special taxing districts, tax increment financing, and power line levies, but excludes the fiscal disparities distribution levy, which in this graph has been allocated to counties, cities/towns, school districts, and special districts. **(The tables later in the report show the fiscal disparities levy as part of “Miscellaneous District Levy.”)**

Major State Taxes

Individual Income Tax

Program Description

Individual income tax is a tax imposed by the state upon (1) the income of Minnesota residents and (2) the income, derived from Minnesota sources, of nonresident individuals. The 2017 tax base is federal taxable income with minor modifications, including the addition of interest earned on bonds issued by non-Minnesota state and local governments, and subtractions for military pay, charitable contributions of nonitemizers, and certain dependent education expenses. Rates applied in 2017 ranged from 5.35 percent to 9.85 percent. In 2017, Minnesota allowed a refundable dependent care credit of up to \$720 for one child and \$1,440 for two or more children, a refundable credit of up to \$1,000 per child for K-12 education expenses, and a working family credit tied to the federal earned income credit. The maximum working family credit was \$2,064.

Tax Amount and Reporting (tax year 2017 returns filed in 2018)

2017 Individual Income Tax: \$10.7 billion

\$10.1 billion from residents

The total amount of 2017 net individual income tax revenues (after refundable credits) is \$10.74 billion; \$634 million came from returns filed by nonresident taxpayers and \$101 million from Minnesota resident returns for which the Department of Revenue was unable to identify the taxpayer's county of residence. The \$101 million from Minnesota resident returns is apportioned to counties based on each county's share of tax, but the \$634 million paid by nonresidents is not apportioned to counties. The net amount paid by Minnesota residents is \$10.11 billion.

Individual income tax data was obtained from the Department of Revenue.

Recent Law Changes

The 2019 Legislature enacted a significant restructuring of the state's income tax, effective for tax year 2019. The law changed the state's income tax to make Federal Adjusted Gross Income the starting point for the state's income tax, and established a Minnesota dependent exemption, standard deduction, and itemized deductions. The law also reduced the second-tier rate from 7.05 percent to 6.80 percent. These changes are not reflected in this report.

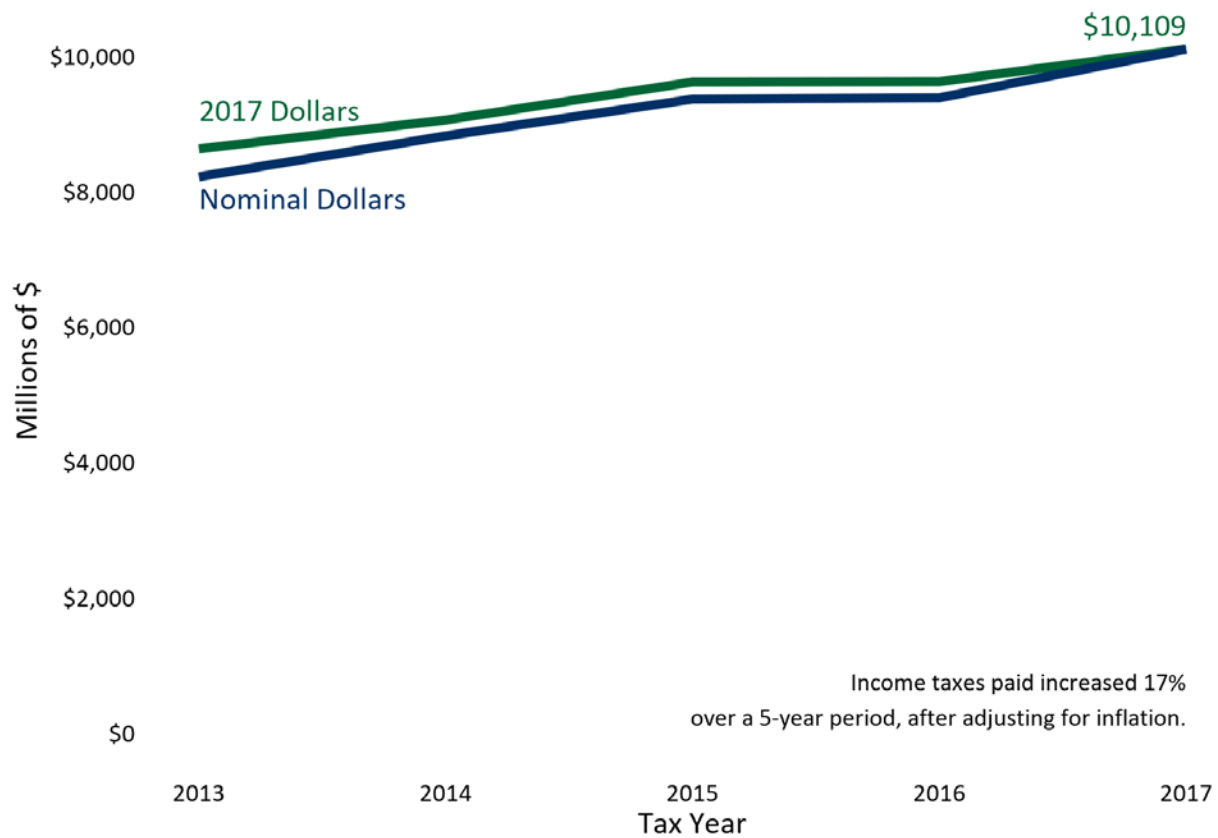
Effective in tax year 2013, Minnesota added a fourth rate of 9.85 percent. The new rate applied to taxable income in excess of \$250,000 for married joint filers, \$150,000 for single filers, and \$200,000 for head of household filers. The income brackets are adjusted annually for inflation.

The Past Five Years of Individual Income Tax

The table below shows the distribution of individual income tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of individual income tax for that same period in nominal and constant (inflation-adjusted) dollars.

Individual Income Tax, Residents Only: Tax Years 2013 to 2017 Nominal dollars, in thousands

	2013	2014	2015	2016	2017	5-Yr. Chg. Tax
State	\$8,225,332	\$8,829,064	\$9,371,724	\$9,393,208	\$10,108,769	23%
<u>Northern Regions</u>						
Northwest (1)	114,916	107,138	103,423	103,804	119,947	4
Headwaters (2)	62,447	66,055	70,288	67,953	71,399	14
Arrowhead (3)	312,194	329,331	345,406	333,187	352,749	13
West Central (4)	245,266	252,448	263,459	258,426	268,558	9
Five (5)	136,210	140,152	149,859	155,648	163,118	20
East Central (7E)	150,849	159,537	171,939	175,402	187,628	24
<u>Southern Regions</u>						
Six East (6E)	135,037	135,366	133,038	134,025	140,586	4
Upper MN Valley (6W)	53,207	47,944	48,201	43,694	48,580	-9
Central MN (7W)	497,821	521,154	564,350	584,773	612,215	23
Southwest (8)	129,304	123,452	123,825	114,285	119,694	-7
Nine (9)	251,363	278,209	267,754	273,368	277,703	10
Southeastern MN (10)	618,848	642,935	677,583	687,724	723,019	17
Total Nonmetro	\$2,707,464	\$2,803,722	\$2,919,125	\$2,932,288	\$3,085,195	14%
<u>Metro Region</u>						
Hennepin County	2,661,668	2,945,134	3,123,667	3,164,711	3,470,276	30
Ramsey County	715,301	746,529	832,526	813,260	868,987	21
Remaining Metro	2,140,899	2,333,679	2,496,406	2,482,949	2,684,311	25
Total Metro	\$5,517,869	\$6,025,342	\$6,452,599	\$6,460,920	\$7,023,574	27%

Statewide Income Tax, Residents Only, 2013-2017

House Research Department. Major State Aids and Taxes, 2018 Update.

Sales/Use Tax

Program Description

Sales tax is imposed by the state on the gross receipts on all persons who sell, lease, or rent tangible personal property, including most digital products, at retail or provide taxable services. The use tax complements the sales tax and is imposed at the same rate on the storage, use, or consumption in Minnesota of taxable, tangible personal property and taxable services purchased from any retailer, unless the Minnesota sales tax was already paid on these items. Since July 1, 2009, the state sales and use tax rate has been 6.875 percent.

Major exemptions include: unprepared food, clothing, all drugs and medications, gasoline and special fuels taxed under the motor fuels excise tax, most publications, motor vehicle purchases subject to the 6.5 percent sales tax on motor vehicles, materials used or consumed in agricultural or industrial production, textbooks, residential heating fuels and water services, industrial capital equipment, most purchases by local governments, and a number of purchases by and sales made by a number of nonprofit organizations.

Tax Amount and Reporting

Calendar Year 2018 Sales/Use Tax: \$6.22 billion (gross)

\$6.20 billion (net after refunds)

\$5.16 billion from residents and in-state sellers

A total of \$6,221 million in gross state sales/use taxes was collected during calendar year 2018. The net amount of sales/use tax after the reduction of capital equipment refunds of \$17.9 million¹³ was \$6,203 million. The total amount of capital equipment refunds is allocated to counties based on the ratio of each county's mining and manufacturing payroll to the total statewide mining and manufacturing payroll. Of the \$6.20 billion in net sales taxes, about \$1.05 billion was collected from returns filed by out-of-state vendors, resulting in \$5.16 billion allocated to Minnesota. The amount collected from returns filed by out-of-state sellers is not allocated to Minnesota in this report since the taxpayer's residence and/or place of business is unknown, nor is it included in the five-year historical table later in this section. The following table shows the amount and share of taxes that were allocated to Minnesota (paid by residents and in-state sellers) and the portion not allocated to Minnesota (paid by out-of-state sellers) over the last ten years.

¹³ This includes refunds paid on other exempt purchases where the tax is paid at the time of purchase and then refunded, mainly for some specific capital projects. The capital equipment exemption became an upfront exemption July 1, 2015, but businesses have three-and-one-half years to claim the refunds so the refund amount will decline over time.

Sales/Use Taxes (in thousands, after capital equipment refund)

	Allocated to Minnesota		Not Allocated to Minnesota		
Year	Amount	Percent	Amount	Percent	Total
2008	3,704,922	83.6	725,751	16.4	4,430,673
2009	3,282,128	84.1	620,690	15.9	3,902,818
2010	3,792,834	84.1	719,073	15.9	4,511,908
2011	3,975,604	84.0	758,966	16.0	4,734,571
2012	4,192,302	83.7	815,555	16.3	5,007,858
2013	4,381,851	83.5	865,535	16.5	5,247,386
2014	4,510,068	83.0	926,466	17.0	5,436,534
2015	4,559,522	82.1	993,282	17.9	5,552,804
2016	4,679,952	82.9	963,560	17.1	5,642,952
2017	4,879,360	83.1	992,800	16.9	5,872,159
2018	5,156,859	83.1	1,046,375	16.9	6,203,233

Most of the amount not allocated to Minnesota is a tax on sales made by out-of-state businesses to Minnesota residents, which are reported on a single non-Minnesota return. The amount not allocated to Minnesota has gradually increased from about 14 percent in the mid-1990s to 17 percent in recent years.

The sales tax amounts contained in this report exclude any local sales taxes that cities and counties impose. Local sales taxes are used primarily to support specific capital projects.¹⁴ Because sales tax is reported in the county where the seller is located, higher amounts tend to be reported in counties with a regional center (e.g., Twin Cities, Duluth, Rochester, etc.).

Sales/use tax data were obtained from the Department of Revenue.

Recent Law Changes

The tax rate was 3.0 percent when enacted in 1967 and has risen gradually over time. The most recent increase, from 6.5 percent to 6.875 percent, is a temporary increase imposed from July 1, 2009, to June 30, 2034. The extra revenue from this temporary rate increase is constitutionally dedicated to fund outdoor heritage, clean water, parks and trails, and arts and cultural heritage.

¹⁴ More detail on local sales taxes, including a list of localities that currently impose local sales taxes, is available in the House Research publication *Local Sales Taxes in Minnesota*, October 2019.
<https://www.house.leg.state.mn.us/hrd/pubs/localsal.pdf>.

The legislature often modifies the goods and services included in the sales tax base. The most significant changes in recent years are:

- exempting most local government purchases by towns (2011), cities and counties (2013), and special taxing districts (2013);
- imposing the tax on most digital products (2013),
- switching the capital equipment exemption from a refundable exemption to an upfront exemption (2015); and
- exempting supplies and materials used in and equipment incorporated into construction, remodeling, improvement, or expansion of fire and police stations, including their related facilities, owned by a local government (2021).

Sales Taxes and Future Increased Collections by Out-of-State Sellers

For a number of years Minnesota has had a statutory provision requiring out-of-state sellers with an economic presence in the state (i.e., making a certain minimum number of sales into the state) to collect and remit Minnesota sales tax *to the extent allowed under the U.S. constitution and federal law*. In 2017 the legislature extended this duty to collect Minnesota sales taxes to Internet marketplace providers.

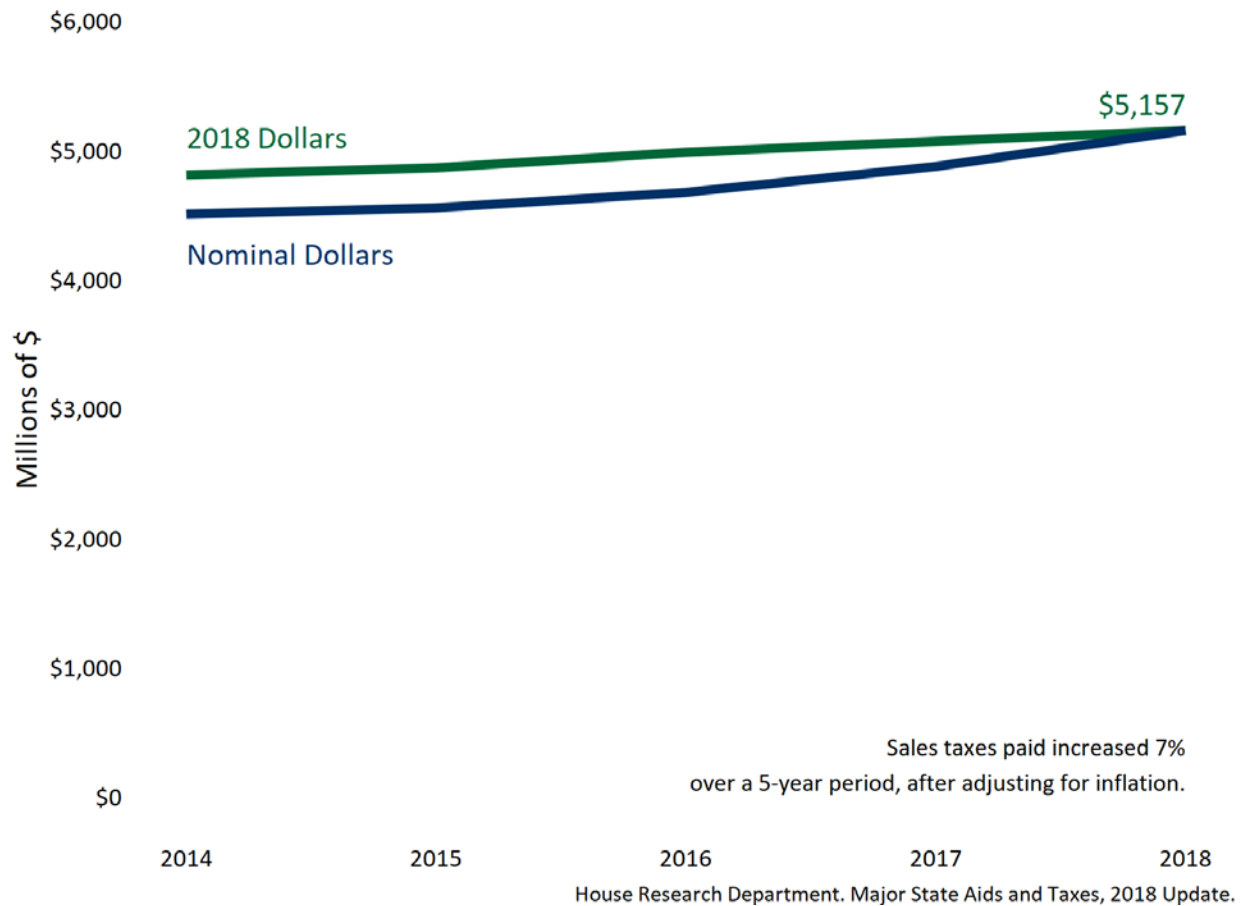
This statute was not enforced because the U.S. Supreme Court, in a number of cases culminating in *Quill Corp. v. North Dakota* (1992), found it unconstitutional to require a seller without a physical presence in a state to collect its tax. In 2018 in *South Dakota v. Wayfair* the U.S. Supreme Court overturned that finding and upheld a state's ability to require sales tax collection based on "economic presence" under certain circumstances. Minnesota began requiring out-of-state sellers and Internet marketplace providers that meet the economic presence standard to collect state sales tax on October 1, 2018. This change will greatly increase the percent of total sales tax remittances that will not be allocated to a state, county, or region. Because this report covers sales taxes through 2017, the data presented does not include the effects of the *Quill* decision.

The Past Five Years of Sales/Use Tax

The table below shows the distribution of sales/use tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of sales/use tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Sales/Use Tax, Residents and In-State Sellers: Calendar Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
State	\$4,510,068	\$4,559,522	\$4,679,392	\$4,879,360	\$5,156,859	14%
<u>Northern Regions</u>						
Northwest (1)	40,565	39,594	40,452	42,556	45,041	11
Headwaters (2)	58,634	60,280	60,991	62,592	66,353	13
Arrowhead (3)	267,435	260,345	253,763	262,246	270,582	1
West Central (4)	152,028	151,786	155,817	164,183	168,193	11
Five (5)	108,083	112,722	117,871	124,295	129,457	20
East Central (7E)	69,327	73,732	77,445	79,486	82,983	20
<u>Southern Regions</u>						
Six East (6E)	74,855	74,111	74,390	83,366	86,984	16
Upper MN Valley (6W)	20,478	19,681	19,529	20,076	20,246	-1
Central MN (7W)	271,833	280,553	292,163	305,796	324,314	19
Southwest (8)	68,584	65,590	69,303	69,669	72,089	5
Nine (9)	145,073	135,713	140,398	144,293	150,797	4
Southeastern MN (10)	313,327	314,049	328,988	341,536	356,178	14
Total Nonmetro	\$1,590,223	\$1,588,155	\$1,631,110	\$1,700,093	\$1,773,216	12%
<u>Metro Region</u>						
Hennepin County	1,578,540	1,603,185	1,651,575	1,708,230	1,848,761	17
Ramsey County	489,873	489,115	495,233	522,725	539,602	10
Remaining Metro	851,432	879,068	901,475	948,312	995,280	17
Total Metro	\$2,919,845	\$2,971,368	\$3,048,283	\$3,179,267	\$3,383,643	16%

Statewide Sales/Use Tax, Residents and In-State Sellers, 2014-2018

Motor Vehicle Sales Tax

Program Description

The motor vehicle sales tax is imposed on new and used motor vehicles at the time of sale. It is imposed in lieu of the general state sales tax on the sale price of motor vehicles, minus any trade-in allowance. (A flat tax of \$10 in lieu of the motor vehicle sales tax is imposed upon most low-value motor vehicles that are ten or more years old.)¹⁵ Although the general sales tax is imposed on the lease of a motor vehicle, general sales tax collected on motor vehicle leases is included with the motor vehicle sales tax as presented in this report.¹⁶

The rate of the motor vehicle sales tax is 6.5 percent, which matches the rate of the general state sales tax prior to the 2008 passage of the constitutional amendment that increased the general state sales tax rate to 6.875 percent (with the increase dedicated to outdoor heritage, clean water, parks and trails, and arts and cultural heritage). The increase from the constitutional amendment did not apply to the motor vehicle sales tax. Since motor vehicle leases are subject to the general sales tax, the rate is 6.875 percent.

Motor vehicle sales tax revenue is distributed 60 percent to the Highway User Tax Distribution fund and 40 percent to transit, which is further split 36 percent to Twin Cities metropolitan area transit and 4 percent to transit in greater Minnesota.

In the 2017 session, the legislature changed the distribution of general sales tax revenue collected on motor vehicle leases. Beginning with fiscal year 2018 collections, revenues are distributed as follows:

- 38 percent to the County State-Aid Highway fund for allocation to five counties in the Twin Cities metropolitan area;
- 38 percent to the greater Minnesota transit account;
- 13 percent to the Local Bridge program; and
- 11 percent to the Highway User Tax Distribution fund.

None of the revenue goes to the state general fund.

Tax Amount and Reporting

Calendar Year 2018 Motor Vehicle Sales Tax: \$903.5 million

The total 2018 motor vehicle sales tax revenue is \$903.5 million. Of this amount, the motor vehicle sales tax was \$806.2 million and the general sales tax on motor vehicle leases was \$97.3 million. The Department of Public Safety collects the motor vehicle sales tax. Due to the

¹⁵ The flat tax in lieu is \$150 for certain collector vehicles and fire trucks.

¹⁶ The data for sales tax on motor vehicle leases is only available on a fiscal year basis. This report allocates collections in fiscal years using 50 percent of the revenue in each of the corresponding calendar years.

method of collection, the amount of actual tax liability from each county is not available. The state total is allocated to counties based on two equally weighted factors:

- the number of passenger vehicles and pickup trucks registered in each county, as reported by the Department of Public Safety
- motor vehicle registration tax by county, as estimated by the Department of Public Safety

Vehicle counts serve as a proxy for the residence of vehicle owners, who pay the sales tax. Motor vehicle registration tax estimates serve as a proxy for the value of vehicles purchased.

Motor vehicle sales tax data was obtained from the Department of Transportation.

Recent Law Changes

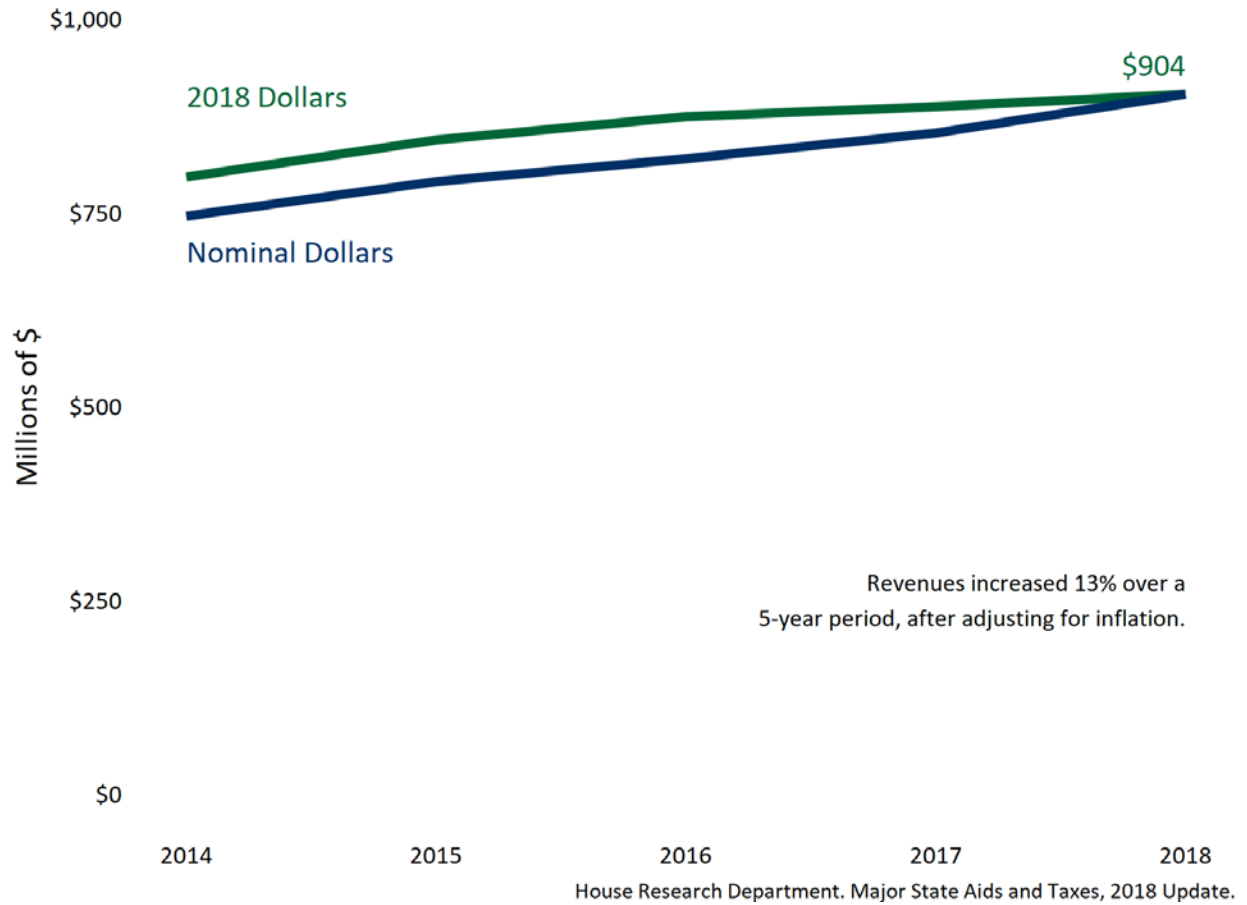
While the legislature has not made significant changes to the motor vehicle sales tax since 2007, a budget and subsequent adjustment in 2013 and 2014 yielded a one-year cap on revenue allocated to counties from the general sales tax on motor vehicle leases.

The Past Five Years of the Motor Vehicle Sales Tax

The table below shows the distribution of motor vehicle sales tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of motor vehicle sales tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Motor Vehicle Sales Tax: Calendar Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
State	\$746,370	\$790,904	\$820,404	\$853,554	\$903,508	21%
<u>Northern Regions</u>						
Northwest (1)	13,719	14,414	14,616	14,898	15,741	15
Headwaters (2)	10,728	11,451	11,904	12,058	12,888	20
Arrowhead (3)	45,328	47,480	48,959	49,832	52,783	16
West Central (4)	32,515	34,397	35,507	36,440	38,535	19
Five (5)	23,687	25,170	26,163	26,719	28,478	20
East Central (7E)	23,422	24,815	25,692	27,448	29,254	25
<u>Southern Regions</u>						
Six East (6E)	17,685	18,661	19,171	19,542	20,615	17
Upper MN Valley (6W)	7,417	7,773	7,950	8,142	8,570	16
Central MN (7W)	57,598	61,327	64,364	66,232	70,465	22
Southwest (8)	18,735	19,609	20,035	20,315	21,402	14
Nine (9)	33,183	35,014	36,170	37,053	39,023	18
Southeastern MN (10)	69,051	73,002	75,014	78,706	83,106	20
Total Nonmetro	\$353,068	\$373,114	\$385,545	\$397,384	\$420,861	19%
<u>Metro Region</u>						
Hennepin County	158,434	168,276	174,820	178,689	188,122	19
Ramsey County	62,175	66,502	68,755	72,334	76,799	24
Remaining Metro	172,693	183,012	191,284	205,147	217,726	26
Total Metro	\$393,301	\$417,790	\$434,859	\$456,170	\$482,647	23%

Statewide Motor Vehicle Sales Tax, 2014-2018

Motor Vehicle Registration Tax

Program Description

The motor vehicle registration tax is imposed annually on each motor vehicle registered in Minnesota. The tax on passenger cars, pickup trucks, and vans is equal to a \$10 flat amount, plus an additional amount based on the vehicle's age and original value. The tax starts at 1.25 percent of the vehicle's original value. The rate decreases as the vehicle ages, and for older vehicles it shifts to a minimum \$25 flat tax.

The tax on trucks and buses is based upon the type, weight, and age of the vehicle. A minimum tax applies to each type of vehicle. There is also a flat tax on motorcycles and mopeds. The tax is paid when the vehicle is first registered in Minnesota to use the public streets and annually thereafter when it is re-registered.

Tax Amount and Reporting

Calendar Year 2018 Motor Vehicle Registration Tax: \$791.0 million

The total motor vehicle registration tax revenue for calendar year 2018 was \$791.0 million. The tax is collected by the Department of Public Safety. The amount of actual tax liability from each county is not available. The statewide total was allocated to counties based on Department of Public Safety estimates of the amount actually remitted from each county. Revenue from this tax is deposited in the Highway User Tax Distribution Fund.

Registration tax revenue goes into the Highway User Tax Distribution Fund and is dedicated for highway use. (See page 18 for description of the allocation of the Highway User Tax Distribution Fund.)

The statewide motor vehicle registration tax amount came from the Department of Revenue.

Recent Law Changes

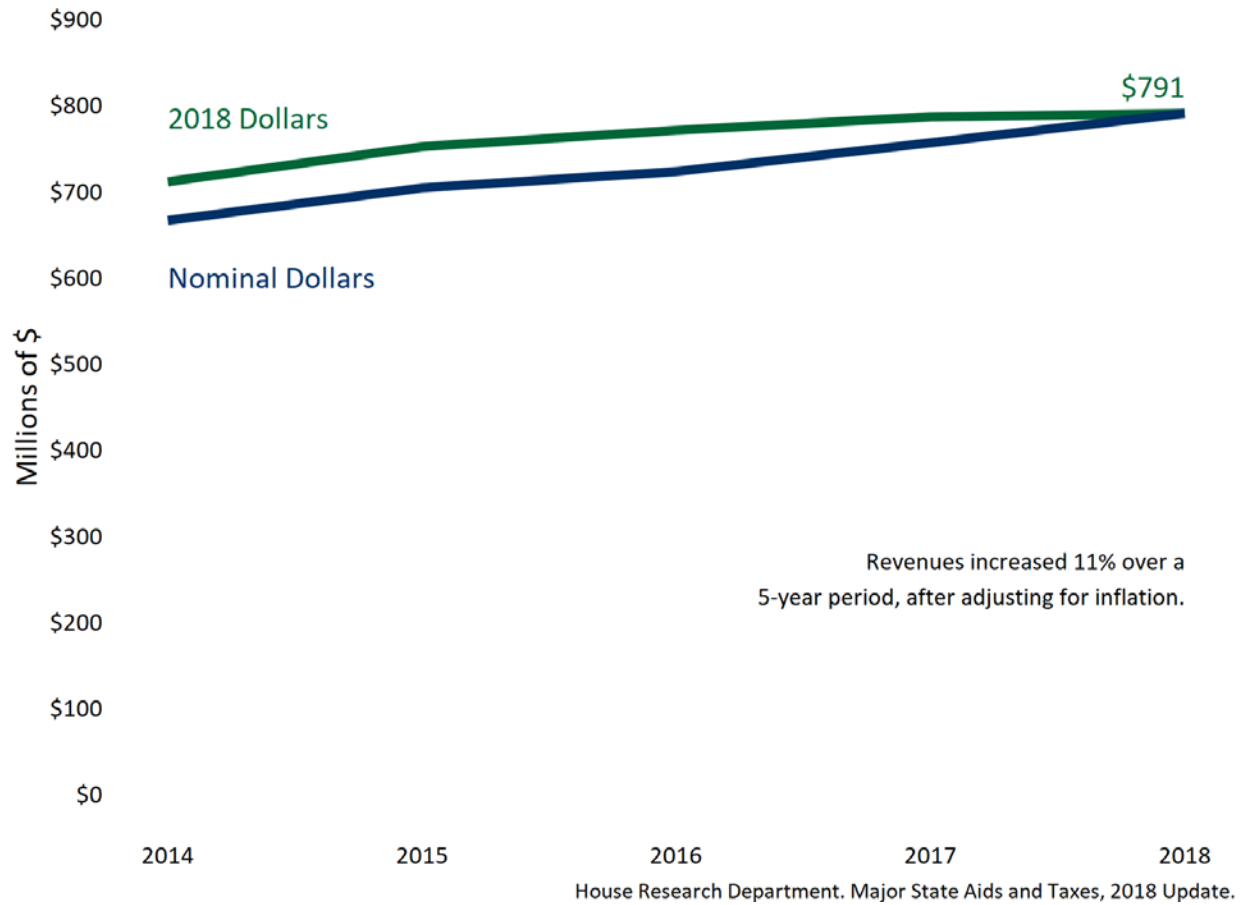
The 2020 Legislature modified and clarified calculation of the motor vehicle registration tax, so that the revised formula is based on manufacturer's suggested retail price without other cost or price adjustments (such as destination charge). Prior to that, the last significant changes were made in 2008.

The Past Five Years of the Motor Vehicle Registration Tax

The table below shows the distribution of the motor vehicle registration tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the motor vehicle registration tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Motor Vehicle Registration Tax: Calendar Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
State	\$666,680	\$704,453	\$723,454	\$756,817	\$791,022	19%
<u>Northern Regions</u>						
Northwest (1)	11,957	12,500	12,460	12,725	13,203	10
Headwaters (2)	8,862	9,449	9,676	9,892	10,384	17
Arrowhead (3)	38,817	40,315	41,178	42,094	43,898	13
West Central (4)	27,946	29,361	29,905	30,775	32,040	15
Five (5)	19,339	20,523	21,171	21,691	22,723	18
East Central (7E)	18,963	20,027	20,642	22,633	23,670	25
<u>Southern Regions</u>						
Six East (6E)	15,313	16,064	16,287	16,671	17,284	13
Upper MN Valley (6W)	6,576	6,806	6,878	7,039	7,279	11
Central MN (7W)	50,675	53,949	56,080	57,935	60,848	20
Southwest (8)	16,447	17,031	17,138	17,384	18,026	10
Nine (9)	28,796	30,238	30,816	31,605	32,784	14
Southeastern MN (10)	59,666	62,806	64,957	67,627	70,531	18
Total Nonmetro	\$303,357	\$319,069	\$327,188	\$338,072	\$352,669	16%
<u>Metro Region</u>						
Hennepin County	148,684	157,623	161,531	164,261	171,323	15
Ramsey County	54,235	58,045	59,158	62,484	65,580	21
Remaining Metro	160,403	169,716	175,578	192,000	201,451	26
Total Metro	\$363,323	\$385,384	\$396,266	\$418,745	\$438,353	21%

Statewide Motor Vehicle Registration Tax, 2014-2018

Motor Fuels Tax (Gas Tax)

Program Description

The motor fuels tax is imposed on gasoline, diesel fuel, and other motor fuels used in vehicles on public highways. The rate on highway motor fuels including gasoline and diesel¹⁷ is 28.5 cents per gallon. This report does not include the motor fuels tax collected on aviation fuel, which is administered separately from the tax on fuel used in vehicles on public highways.

Tax Amount and Reporting

Calendar Year 2018 Motor Fuels Tax: \$933.1 million

The total net amount after refunds of the motor fuels tax for calendar year 2018 was \$933.1 million. This is the gross amount before distributions (based on motor fuel use attributed to nonhighway use) to snowmobile, motorboat, forest roads, and all-terrain vehicles (ATV) accounts.

Motor fuels tax revenue goes into the Highway User Tax Distribution Fund and is dedicated for highway use. (See page 18 for description of the allocation of the Highway User Tax Distribution Fund.)

Like both the motor vehicle sales tax and the motor vehicle registration tax, the amount of motor fuels tax paid by taxpayers in each county is unknown. For purposes of this report, an estimate was made for each county based on the total number of vehicle miles traveled in each county as a proportion of the total vehicle miles traveled within the state.

The statewide motor fuels tax amount and data on vehicle miles traveled was obtained from the Department of Transportation.

Recent Law Changes

The 2008 transportation finance act provided for a phased-in increase in the motor fuels tax. The tax increased from 20 cents per gallon on April 1, 2008, phasing in over ensuing years to 28.5 cents per gallon on July 1, 2012 (which includes a 3.5 cents per gallon surcharge tied to trunk highway bonding).

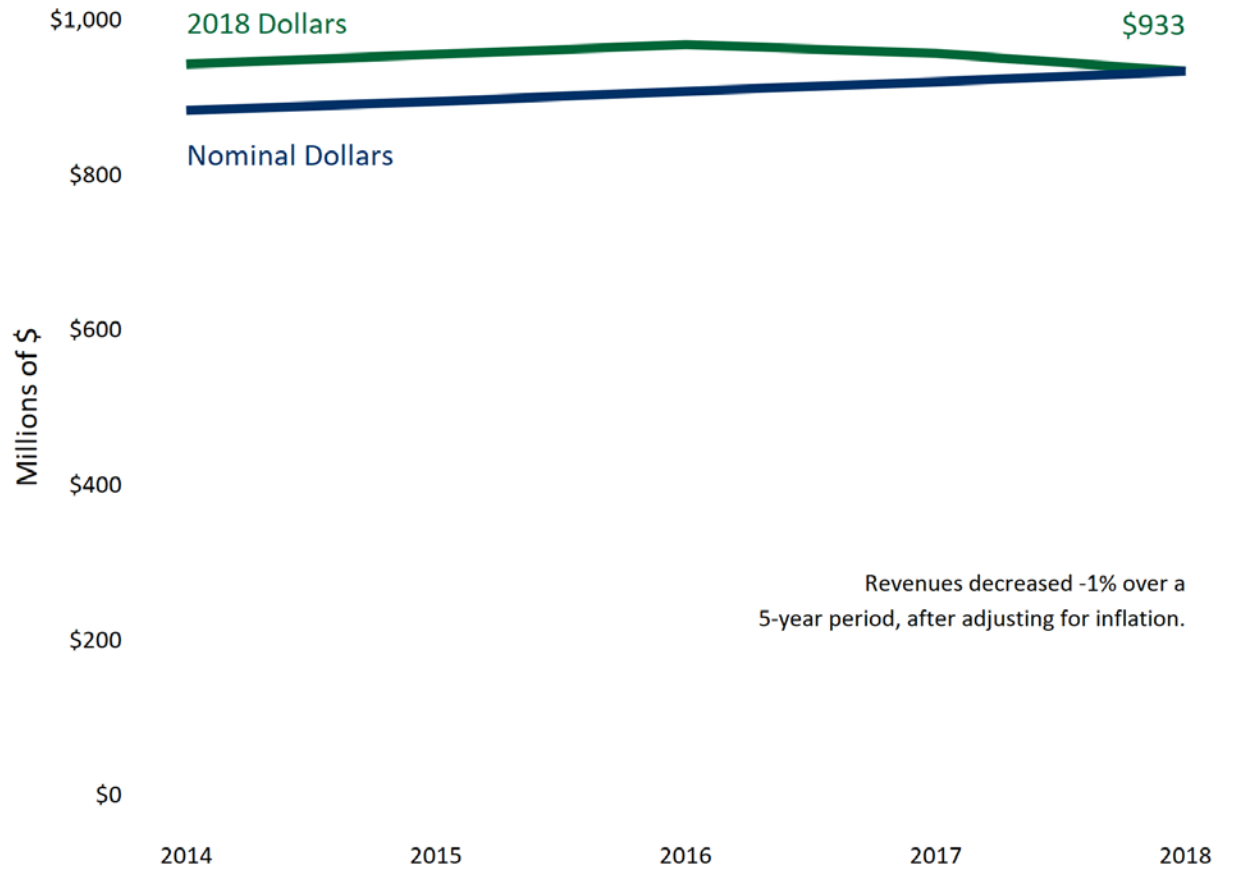
¹⁷ Alternative fuels, such as liquefied natural gas and high-alcohol gasoline, are taxed at rates proportional to relative energy content.

The Past Five Years of the Motor Fuels Tax

The table shows the distribution of the motor fuels tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the motor fuels tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Motor Fuels Tax: Calendar Years 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
State	\$882,738	\$894,201	\$907,403	\$919,574	\$933,114	6%
<u>Northern Regions</u>						
Northwest (1)	17,164	17,297	17,464	17,572	17,640	3
Headwaters (2)	14,368	14,321	14,301	14,272	14,634	2
Arrowhead (3)	58,421	58,402	58,494	59,101	60,129	3
West Central (4)	48,474	49,119	49,859	50,297	51,268	6
Five (5)	33,617	33,870	34,190	34,890	35,268	5
East Central (7E)	34,835	35,662	36,560	37,066	38,057	9
<u>Southern Regions</u>						
Six East (6E)	20,606	20,662	20,758	21,015	21,342	4
Upper MN Valley (6W)	9,406	9,496	9,605	9,613	9,706	3
Central MN (7W)	72,331	73,746	75,305	76,640	78,368	8
Southwest (8)	26,258	26,348	26,489	26,682	27,089	3
Nine (9)	40,414	40,592	40,848	41,290	42,079	4
Southeastern MN (10)	88,864	89,973	91,258	92,230	94,453	6
Total Nonmetro	\$464,756	\$469,488	\$475,131	\$480,670	\$490,032	5%
<u>Metro Region</u>						
Hennepin County	172,839	175,020	177,542	178,258	179,666	4
Ramsey County	69,031	69,935	70,976	72,750	72,903	6
Remaining Metro	176,112	179,757	183,755	187,896	190,513	8
Total Metro	\$417,982	\$424,713	\$432,272	\$438,904	\$443,082	6%

Statewide Motor Fuels Tax, 2014-2018

Revenues decreased -1% over a 5-year period, after adjusting for inflation.

House Research Department. Major State Aids and Taxes, 2018 Update.

Corporate Franchise (Income) Tax

Program Description

Corporate franchise (income) tax is imposed on the net income of corporations. The rate of the tax is 9.8 percent. The tax base is federal taxable income with a variety of Minnesota adjustments. Corporations that do business both inside and outside of Minnesota apportion their income based on the percentage of their sales that are made to purchasers in Minnesota. Prior to 2007, companies apportioned income using a three-factor formula based on the share of the corporation's total property, payroll, and sales that were in Minnesota. Beginning in 2007, the formula gradually phased in 100 percent sales apportionment, reaching that percentage in 2014.

An alternative minimum tax (AMT) applies to federal alternative minimum taxable income, if it would result in a higher tax than the regular corporate franchise tax. This tax rate is 5.8 percent. A minimum fee is imposed on corporations (including S corporations) and partnerships in addition to the regular tax or the AMT. For tax year 2018, the minimum fee ranged from \$200 to \$9,960, depending upon the corporation's sales, property, and payroll in Minnesota. The fees are indexed annually for inflation.

Tax Amount and Reporting

2018 Corporate Income Tax: \$933.1 million

The amount presented in this report was tabulated from all Minnesota corporate income tax returns filed during the calendar year ending December 31, 2018. (Most returns filed in 2018 were for calendar year 2017, but the total also includes some calendar year 2016 returns.) The total statewide amount of \$933.1 million includes taxes collected from corporations whose main offices are in other states and foreign countries. It does not include any taxes or minimum fees paid by S corporations or partnerships.

The corporate income tax data was obtained from the Department of Revenue. The location of each corporation's home office is not available. Instead, each county's total sales or gross domestic product are used as an indicator of the source or location of the corporate tax.

The 2014 to 2016 state total of corporate tax was allocated using the Census Bureau's 2012 Survey, with the 2014 to 2016 data adjusted for the change in gross sales from year to year. The Census Bureau's Survey of Business Owners was discontinued in 2017 and replaced by the Annual Business Survey (ABS). An analysis of the ABS survey data for 2017 implied that the data are not reliable for smaller geographies. As a result, the 2017 and 2018 state totals were allocated using the Bureau of Economic Analysis estimate of gross domestic product (GDP) by county.

In addition to the total dollar amount of corporate tax shown by region and by county in section 2 and online, the tables below summarize statewide data by unitary/nonunitary and by type of corporation/return.

By Unitary/Nonunitary Returns¹⁸

Returns Filed in 2017	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
Unitary Returns	33,775	54.7%	\$897,651,994	88.0%	\$26,577
Nonunitary Returns	28,013	45.3%	122,240,384	12.0%	4,364
Total	61,788	100%	\$1,019,892,378	100.0%	\$16,506

By Type of Return

Returns Filed in 2017	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
100% Minnesota Corporations					
Regular Tax	5,012	8.1%	\$44,984,052	4.4%	\$8,975
Minimum Tax	3,395	5.5	3,014,830	0.3	888
No Tax	5,872	9.5	0	0.0	0
Total	14,279	23.1%	\$47,998,882	4.7%	\$3,362
Multistate Corporations					
Regular Tax	13,904	22.5%	\$948,770,050	93.0%	\$68,237
Minimum Tax	7,279	11.8	23,123,446	2.3	3,177
No Tax	26,326	42.6	0	0.0	0
Total	47,509	76.9%	\$971,893,496	95.3%	\$20,457
All corporations					
Regular Tax	18,916	30.6%	\$993,754,102	97.4%	\$52,535
Minimum Tax	10,674	17.3	26,138,276	2.6	2,449
No Tax	32,198	52.1	0	0.0	0
Total	61,788	100.0%	\$1,019,892,378	100.0%	\$16,506

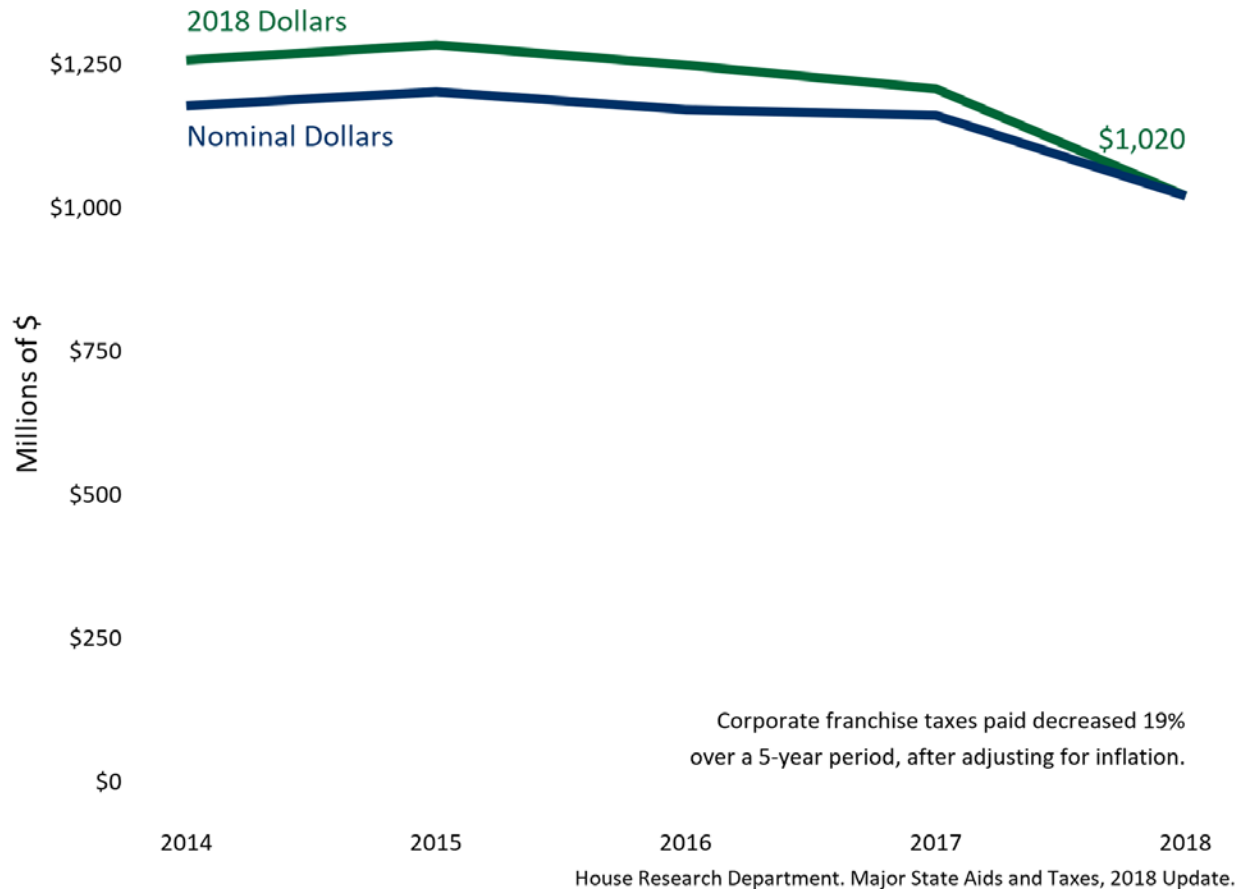
¹⁸ Related corporations, such as subsidiary, brother-sister, and parent corporations, must file on a unitary basis. For these corporations, the denominator of the corporate franchise tax apportionment formula includes the sales of all the corporations in the unitary group. The numerator is the sales of the individual corporation, and the taxable income apportioned is the total income of the unitary group.

The Past Five Years of Corporate Franchise Tax

The table below shows the distribution of the corporate franchise tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the corporate franchise tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Corporate Franchise Tax: Filed Calendar Years 2014 to 2018 Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
State	\$1,177,057	\$1,201,344	\$1,170,337	\$1,160,325	\$1,019,892	-13%
<u>Northern Regions</u>						
Northwest (1)	17,710	15,937	14,666	17,174	14,602	-18
Headwaters (2)	7,956	7,996	7,737	10,061	8,552	7
Arrowhead (3)	41,307	40,322	38,275	52,804	44,101	7
West Central (4)	28,863	28,473	26,707	32,064	27,202	-6
Five (5)	15,906	16,855	16,251	20,768	17,932	13
East Central (7E)	11,984	12,405	12,001	14,997	12,952	8
<u>Southern Regions</u>						
Six East (6E)	19,930	19,074	18,821	19,446	16,754	-16
Upper MN Valley (6W)	7,804	7,524	7,249	7,216	5,839	-25
Central MN (7W)	51,446	53,063	51,732	60,268	52,516	2
Southwest (8)	25,514	23,117	22,006	24,833	21,927	-14
Nine (9)	39,378	39,036	37,503	38,366	32,652	-17
Southeastern MN (10)	71,138	72,852	69,245	89,738	77,851	9
Total Nonmetro	\$338,935	\$336,653	\$322,194	\$387,736	\$332,879	-2%
<u>Metro Region</u>						
Hennepin County	497,518	508,676	494,795	433,698	379,767	-24
Ramsey County	102,274	109,412	107,398	137,845	117,237	15
Remaining Metro	238,330	246,604	245,950	201,046	190,009	-20
Total Metro	\$838,122	\$864,691	\$848,144	\$772,589	\$687,013	-18%

Statewide Corporate Franchise Tax, 2014-2018

State General Levy

Program Description

A state general property tax levy was instituted as part of the overall property tax reform adopted during the 2001 legislative session. Ninety-five percent of the state general levy is levied on commercial/industrial property (including public utility property), and the remaining 5 percent is levied on seasonal recreational property. That portion of public utility property consisting of attached machinery used in the generation of electrical energy is exempt from the state general levy, as is the property at the Minneapolis-St. Paul International Airport and the St. Paul intermediate airport.

For its first year in taxes payable 2002, the state general levy was \$592 million. Each subsequent year's levy is increased from the previous year's levy by the increase in the implicit price deflator for government consumption expenditures and gross investments published by the U.S. Bureau of Economic Analysis (an index of inflation).¹⁹ This annual inflation adjustment continued until 2018.

Tax Amount and Reporting

Payable Year 2018 State General Levy: \$818.1 million

The total state general levy for taxes payable in 2018 was \$818.1 million.

For taxes payable in 2018, the state tax rate was 43.865 percent for commercial-industrial/public utility property and 20.779 percent for seasonal recreational property, which provides revenues of \$774.0 million and \$44.0 million respectively.²⁰

The tax rates are computed by the Department of Revenue.

Recent Law Changes

The 2017 Legislature exempted the first \$100,000 of each commercial-industrial property's value from the state general levy beginning with taxes payable in 2018, and made a corresponding reduction in the amount of the levy so that the burden would not be shifted to other commercial-industrial properties. It also froze the levy amounts for both commercial-industrial property and seasonal recreational property for future years.

¹⁹ The historical graphs throughout this report adjust for inflation using the implicit price deflator for state and local government expenditures, as published by the U.S. Bureau of Economic Analysis, a slightly different measure than the general government expenditure index used to adjust the state general levy amount.

²⁰ In addition to the amount formally levied, an additional amount of approximately \$3.0 million is collected from properties that are not included in the abstract of assessment, primarily certain transmission and distribution line property. This amount is not included in this report because its distribution is unknown.

The 2019 Legislature reduced the state general levy by a total of \$50 million. The commercial-industrial portion of the levy was reduced by \$47.5 million and the seasonal recreational portion of the levy was reduced by \$2.5 million.

The 2021 Legislature increased the exemption for each commercial-industrial property to the first \$150,000 of value. It also reduced the commercial-industrial portion of the levy by \$20.1 million to prevent shifting of the tax as a result of the increase in the exemption.

The Last Five Years of State General Levy

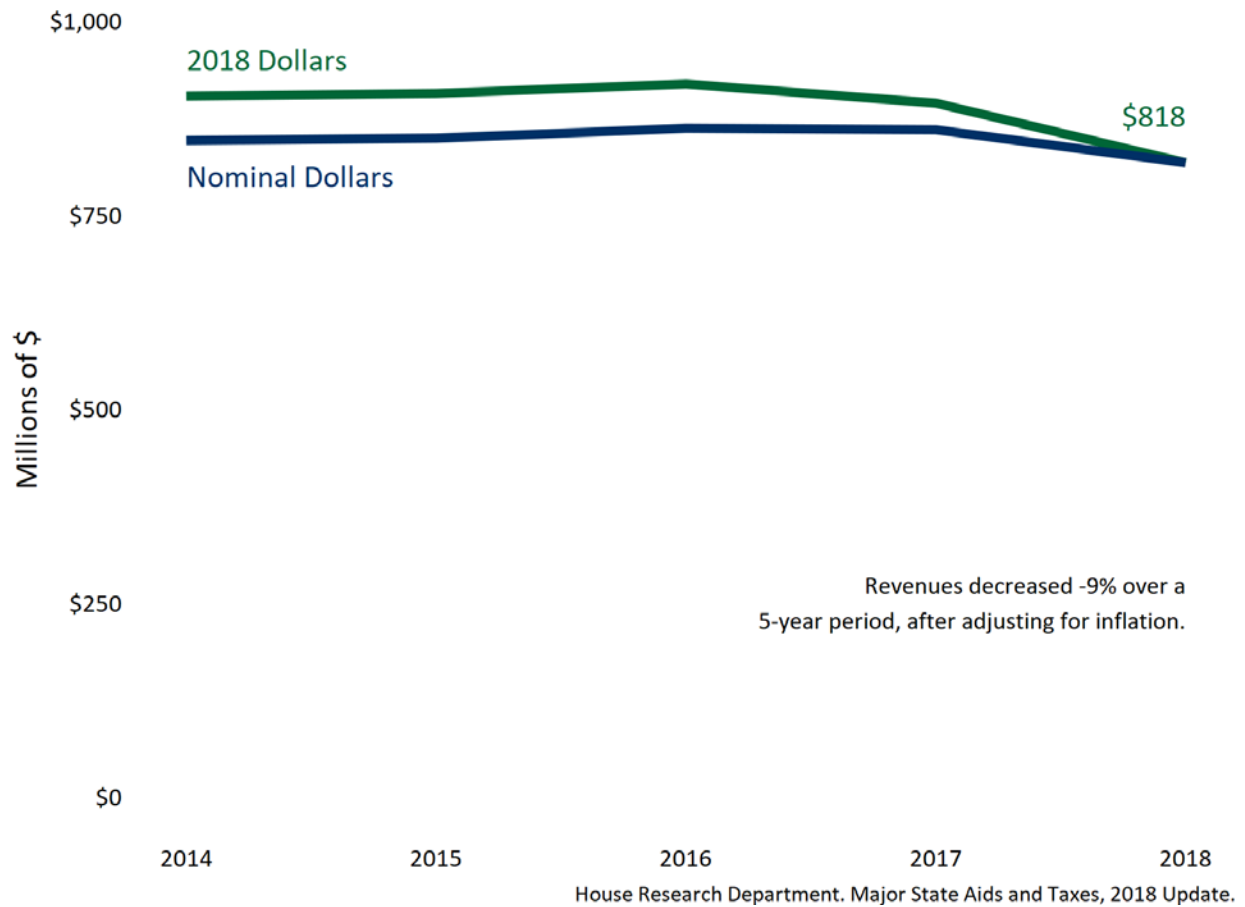
The table below shows the distribution of the state general levy in thousands of dollars for the last five years for the state and economic development regions. The graph shows total dollars of the state general levy for that same time period in nominal and constant (inflation-adjusted) dollars.

State General Levy: Payable 2014 to 2018
Nominal dollars, in thousands

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
State	\$846,726	\$849,634	\$862,457	\$860,516	\$818,054	-3%
<u>Northern Regions</u>						
Northwest (1)	11,297	11,853	12,931	13,096	12,481	10
Headwaters (2)	13,891	13,769	14,248	13,849	13,143	-5
Arrowhead (3)	47,409	47,404	48,283	48,565	44,759	-6
West Central (4)	30,088	30,821	32,556	31,891	29,229	-3
Five (5)	30,716	30,161	29,630	29,580	26,758	-13
East Central (7E)	12,202	11,858	11,370	11,179	9,335	-23
<u>Southern Regions</u>						
Six East (6E)	12,936	13,146	13,010	13,040	11,201	-13
Upper MN Valley (6W)	4,533	4,682	4,831	4,868	4,403	-3
Central MN (7W)	52,079	51,192	50,658	49,218	43,794	-16
Southwest (8)	14,161	14,903	15,725	16,102	14,270	1
Nine (9)	25,718	26,398	27,399	27,325	23,718	-8
Southeastern MN (10)	57,802	59,233	60,453	61,136	53,856	-7
Total Nonmetro	\$312,833	\$315,419	\$321,094	\$319,850	\$286,947	-8%
<u>Metro Region</u>						
Hennepin County	277,672	280,370	291,614	293,439	293,716	6

	2014	2015	2016	2017	2018	5-Yr. Chg. Tax
Ramsey County	89,999	87,404	85,153	83,592	83,826	-7
Remaining Metro	166,222	166,440	164,596	163,635	153,565	-8
Total Metro	\$533,894	\$534,214	\$541,363	\$540,666	\$531,107	-1%

Statewide State General Levy, 2014-2018



Section 2: Summary Data

This section contains summary data for the most recent available year on

- statewide totals
- the seven-county metro and the 80 nonmetro counties

General Explanation of Tables

The basic format is the same for all the regional and county tables on our interactive online tool.

I. MAJOR STATE AIDS/CREDITS. Although all of the aids/credits listed are paid by the state, there are three types of aids/credits.

A. Aids to Local Governments

- Are paid to or for the benefit of the local taxing district
- Are paid on behalf of individuals in the county (e.g., MinnesotaCare)
- Reduce what is needed from the property tax levy

B. Property Tax Credits

- Are paid to the local taxing district, but are listed on the property tax statement as a credit against the property's gross tax
- Benefit only certain types of property
- Are computed on a parcel-by-parcel basis on qualifying property

C. Property Tax Refunds (Targeting)

- Are paid directly to homeowners and renters (property tax refund)
- Are based upon a relationship between household income and the homeowner's property tax or the renter's share of property tax (property tax refund)
- Are targeted to homeowners who have large property tax increases in one year (targeting)

II. PROPERTY TAX DATA

Property Tax Levy for taxes payable in 2018 by type of taxing district (including the state property tax levy), as well as property taxes payable, net of credits.

III. MAJOR STATE TAXES

- Individual income tax
- Sales/use tax
- Motor vehicle sales tax
- Motor vehicle registration tax
- Motor fuels tax (i.e., gas tax)

- Corporate income tax
- State general property tax

The motor vehicle sales tax, the motor vehicle registration tax, the motor fuels tax, and the corporate income tax have been included in this report on a county-by-county basis. However, the county amounts are estimates since actual collections by county are not available. (See the sections for each of the apportioned taxes for detail on the county apportionment calculations.)

Statewide Summary

Tables 2-1 and 2-2 contain the statewide totals of all the state aids and taxes presented in this report. Table 2-1 summarizes the total amounts for Minnesota residents only; Table 2-2 also includes income and sales taxes paid by nonresidents.

2018 population is used to calculate per capita amounts in the tables throughout the report. The 2018 statewide population is 5,629,416. The metro population is 3,113,338; 55.3 percent of the state total. The nonmetro population is 2,516,078; 44.7 percent of the state total.

The total state aids and credits contained in this report equal about \$18.7 billion, whereas the total of the seven major taxes listed in this report equal \$19.7 billion paid by residents and an additional \$1.68 billion paid by nonresidents (for a total tax amount of \$21.4 billion).

The total taxes presented in this report **are not the total of all taxes collected by the state**. The total state net tax receipts were about \$24.0 billion in fiscal year 2017 and \$25.2 billion in fiscal year 2018. Furthermore, the taxes presented in this report are not for a specific time period but rather are the latest available data and/or the next data in sequence to the 2017 Update report (published December 2021). Therefore, the \$21.4 billion total taxes listed in this report (residents and nonresidents) is about 85 percent of the total taxes actually collected over that period.

The taxes not contained in this report include estate, mortgage registry and deed, insurance gross premiums, MinnesotaCare, mineral, cigarette and tobacco products, lawful gambling, and alcoholic beverages. The collections from some of these taxes are dedicated for specific purposes, and amounts are not available by county.

Table 2-1: Statewide Summary – Residents Only

	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments			
Education Aid	8,834,494	49.4%	1,569
Human Services Aids			
Medical Assistance	4,853,774	27.1%	862
MN Family Investment Program	70,929	0.4%	13
General Assistance	49,477	0.3%	9
MinnesotaCare	19,556	0.1%	3
Social Services	2,048,162	11.5%	364
Misc Human Services Aid	174,020	1.0%	31
Total Human Services Aids	7,215,917	40.4%	1,282
Highway Aids			
County Highway Aid	694,639	3.9%	123

	Amount (\$1,000)	Percent	Amount Per Capita
City Highway Aid	207,842	1.2%	37
Town Highway Aid	49,074	0.3%	9
Total Highway Aid	951,555	5.3%	169
Other Aids			
Local Government Aid (LGA)	534,398	3.0%	95
Disparity Reduction Aid (DRA)	18,148	0.1%	3
County Program Aid	234,091	1.3%	42
Community Corrections Funding	91,580	0.5%	16
Total Aids	17,880,182	100.0%	3,176
Property Tax Credits			
Ag Market Value Credit	37,737	36.4%	7
School Bond Ag Credit	36,036	34.7%	6
Misc Prop Tax Credits	30,035	28.9%	5
Total Credits	103,809	100.0%	18
Property Tax Refunds			
Homeowner PTR	453,598	67.2%	81
Renter PTR	213,622	31.7%	38
Targeting PTR	7,357	1.1%	1
Total Property Tax Refund	674,576	100.0%	120
Property Tax Data (Payable 2018)			
County Levy	2,957,679	29.0%	525
City/Town Levy	2,440,406	23.9%	434
School NTC Levy	1,625,354	15.9%	289
School RMV Levy	1,044,620	10.2%	186
Miscellaneous District Levy	1,313,770	12.9%	233
State Levy	818,054	8.0%	145
Total Levy	10,199,882	100.0%	1,812
– Property Tax Credits	103,809		18
Net Prop Tax Payable	10,096,073		1,793

	Amount (\$1,000)	Percent	Amount Per Capita
Major State Taxes			
Individual Income Tax (2017 filed 2018)	10,108,769	51.2%	1,796
Sales/Use Tax (Calendar 2018)	5,156,859	26.1%	916
Motor Vehicle Sales Tax (Calendar 2018)	903,508	4.6%	160
Motor Vehicle Registration Tax (Calendar 2018)	791,022	4.0%	141
Gas Tax (Calendar 2018)	933,114	4.7%	166
Corp Income Tax (Calendar 2018)	1,019,892	5.2%	181
State Prop Tax (Payable 2018)	818,054	4.1%	145
Total Taxes	19,731,219	100.0%	3,505

Table 2-2: Statewide Summary – Includes Nonresidents

	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments			
Education Aid	8,834,494	50.7%	1,569
Human Services Aids			
Medical Assistance	4,853,774	27.1%	862
MN Family Investment Program	70,929	0.4%	13
General Assistance	49,477	0.3%	9
MinnesotaCare	19,556	0.1%	3
Social Services	2,048,162	11.5%	364
Misc Human Services Aid	174,020	1.0%	31
Total Human Services Aids	7,215,917	40.4%	1,282
Highway Aids			
County Highway Aid	694,639	3.9%	123
City Highway Aid	207,842	1.2%	37
Town Highway Aid	49,074	0.3%	9
Total Highway Aid	951,555	5.3%	169
Other Aids			
Local Government Aid (LGA)	534,398	3.0%	95
Disparity Reduction Aid (DRA)	18,148	0.1%	3
County Program Aid	234,091	1.3%	42
Community Corrections Funding	91,580	0.5%	16
Total Aids	17,880,182	100.0%	3,176
Property Tax Credits			
Ag Market Value Credit	37,737	36.4%	7
School Bond Ag Credit	36,036	34.7%	6
Misc Prop Tax Credits	30,035	28.9%	5
Total Credits	103,809	100.0%	18
Property Tax Refunds			
Homeowner PTR	453,598	67.2%	81
Renter PTR	213,622	31.7%	38
Targeting PTR	7,357	1.1%	1
Total Property Tax Refund	674,576	100.0%	120

	Amount (\$1,000)	Percent	Amount Per Capita
Property Tax Data (Payable 2018)			
County Levy	2,957,679	29.0%	525
City/Town Levy	2,440,406	23.9%	434
School NTC Levy	1,625,354	15.9%	289
School RMV Levy	1,044,620	10.2%	186
Miscellaneous District Levy	1,313,770	12.9%	233
State Levy	818,054	8.0%	145
Total Levy	10,199,882	100.0%	1,812
– Property Tax Credits	103,809		18
Net Prop Tax Payable	10,096,073		1,793
Major State Taxes			
Individual Income Tax (2017 filed 2018)	10,742,754	50.2%	1,908
Sales/Use Tax (Calendar 2018)	6,203,233	29.0%	1,102
Motor Vehicle Sales Tax (Calendar 2018)	903,508	4.2%	160
Motor Vehicle Reg Tax (Calendar 2018)	791,022	3.7%	141
Gas Tax (Calendar 2018)	933,114	4.4%	166
Corp Income Tax (Calendar 2018)	1,019,892	4.8%	181
State Prop Tax (Payable 2018)	818,054	3.8%	145
Total Taxes	21,411,578	100.0%	3,804

Metro/Nonmetro Data

Tables 2-3 and 2-4 contain data comparing the metro and nonmetro counties. The metro counties are the Twin Cities seven metropolitan counties—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The nonmetro counties are the remaining 80 counties in the state.

Table 2-3 has the metro and nonmetro dollar amounts of aids and taxes and a per capita comparison.

Table 2-4 presents a statewide breakdown of metro versus nonmetro for each of the categories. Each item adds across to 100 percent; for example 56.3 percent of the education aid goes to metro counties and 43.7 percent goes to nonmetro counties.

2018 population is used to calculate per capita amounts in the tables throughout this report.

Note: The metro and nonmetro totals add to the state totals in Table 2-1, which include only Minnesota residents.

The additional amounts paid by out-of-state taxpayers have not been allocated to any county. The amount of sales and income taxes that is unallocated to Minnesota is about \$1.6 billion.

Table 2-3: Seven-County Metro and Greater Minnesota, Aids and Taxes

	Seven-County Metro			Greater Minnesota		
	Amount (\$1,000)	Percent	Amount Per Capita	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments						
Education Aid	4,974,117	51.4%	1,598	3,860,377	47.0%	1,534
Human Services Aid						
Medical Assistance	2,699,215	27.9%	867	2,154,559	26.3%	856
MN Family Investment Program	42,786	0.4%	14	28,143	0.3%	11
General Assistance	33,636	0.3%	11	15,841	0.2%	6
MinnesotaCare	16,577	0.2%	5	2,978	0.0%	1
Social Services	1,122,687	11.6%	361	925,476	11.3%	368
Misc Human Services Aid	113,419	1.2%	36	60,601	0.7%	24
Total Human Services Aids	4,028,319	41.6%	1,294	3,187,598	38.8%	1,267
Highway Aids						
County Highway Aid	198,001	2.0%	64	496,637	6.1%	197

	Seven-County Metro			Greater Minnesota		
City Highway Aid	136,295	1.4%	44	71,547	0.9%	28
Town Highway Aid	1,372	0.0%	0	47,702	0.6%	19
Total Highway Aid	335,668	3.5%	108	615,886	7.5%	245
Other Aids						
Local Government Aid (LGA)	184,294	1.9%	59	350,104	4.3%	139
Disparity Reduction Aid (DRA)	1,365	0.0%	0	16,783	0.2%	7
County Program Aid	104,984	1.1%	34	129,107	1.6%	51
Community Corrections Funding	44,204	0.5%	14	47,376	0.6%	19
Total Aids	9,672,952	100.0%	3,107	8,207,231	100.0%	3,262

Property Tax Credits

Ag Market Value Credit	1,978	35.0%	1	35,760	36.4%	14
School Bond Ag Credit	2,817	49.9%	1	33,220	33.8%	13
Misc Prop Tax Credits	856	15.2%	0	29,179	29.7%	12
Total Credits	5,651	100.0%	2	98,158	100.0%	39

Property Tax Refunds

Homeowner PTR	303,388	66.6%	97	150,210	68.7%	60
Renter PTR	146,978	32.2%	47	66,643	30.5%	26
Targeting PTR	5,425	1.2%	2	1,932	0.9%	1
Total Property Tax Refund	455,791	100.0%	146	218,785	100.0%	87

Property Tax Data (Payable 2018)

County Levy	1,412,700	22.7%	454	1,544,979	38.9%	614
City/Town Levy	1,485,848	23.9%	477	954,558	24.0%	379
School NTC Levy	982,187	15.8%	315	643,166	16.2%	256
School RMV Levy	717,105	11.5%	230	327,514	8.2%	130
Miscellaneous District Levy	1,094,904	17.6%	352	218,866	5.5%	87
State Levy	531,107	8.5%	171	286,947	7.2%	114
Total Levy	6,223,852	100.0%	1,999	3,976,031	100.0%	1,580
– Property Tax Credits	5,651		2	98,158		39

	Seven-County Metro			Greater Minnesota		
Net Prop Tax Payable	6,218,201		1,997	3,877,872		1,541
Major State Taxes						
Individual Income Tax (2017 filed 2018)	7,023,574	54.1%	2,256	3,085,195	45.8%	1,226
Sales/Use Tax (Calendar 2018)	3,383,643	26.0%	1,087	1,773,216	26.3%	705
Mtr Vehicle Sales Tax (Calendar 2018)	482,647	3.7%	155	420,961	6.2%	167
Mtr Vehicle Reg Tax (Calendar 2018)	438,353	3.4%	141	352,669	5.2%	140
Gas Tax (Calendar 2018)	443,082	3.4%	142	490,032	7.3%	195
Corp Income Tax (Calendar 2018)	687,013	5.3%	221	332,879	4.9%	132
State Prop Tax (Payable 2018)	531,107	4.1%	171	286,947	4.3%	114
Total Taxes	12,989,420	100.0%	4,172	6,741,799	100.0%	2,679

Table 2-4: Seven-County Metro and Greater Minnesota, Share of Aids and Taxes

	Seven-County Metro		Greater Minnesota	
	Amount (\$1,000)	Share of Total	Amount (\$1,000)	Share of Total
Aids to Local Governments				
Education Aid	4,974,117	56.3%	3,860,377	43.7%
Human Services Aid				
Medical Assistance	2,699,215	55.6%	2,154,559	44.4%
MN Family Investment Program	42,786	60.3%	28,143	39.7%
General Assistance	33,636	68.0%	15,841	32.0%
MinnesotaCare	16,577	84.8%	2,978	15.2%
Social Services	1,122,687	54.8%	925,476	45.2%
Misc Human Services Aid	113,419	65.2%	60,601	34.8%
Total Human Services and Health Care Aids	4,028,319	55.8%	3,187,598	44.2%
Highway Aids				
County Highway Aid	198,001	28.5%	496,637	71.5%
City Highway Aid	136,295	65.6%	71,547	34.4%
Town Highway Aid	1,372	2.8%	47,702	97.2%
Total Highway Aid	335,668	35.3%	615,886	64.7%
Other Aids				
Local Government Aid (LGA)	184,294	34.5%	350,104	65.5%
Disparity Reduction Aid (DRA)	1,365	7.5%	16,783	92.5%
County Program Aid	104,984	44.8%	129,107	55.2%
Community Corrections Funding	44,204	48.3%	47,376	51.7%
Total Aids	9,672,952	54.1%	8,207,231	45.9%
Property Tax Credits				
Ag Market Value Credit	1,978	5.2%	35,760	94.8%
School Bond Ag Credit	2,817	7.8%	33,220	92.2%
Misc Prop Tax Credits	856	2.9%	29,179	97.1%
Total Credits	5,651	5.4%	98,158	94.6%
Property Tax Refunds				
Homeowner PTR	303,388	66.9%	150,210	33.1%

	Seven-County Metro		Greater Minnesota	
Renter PTR	146,978	68.8%	66,643	31.2%
Targeting PTR	5,425	73.7%	1,932	26.3%
Total Property Tax Refund	455,791	67.6%	218,785	32.4%
Property Tax Data (Payable 2018)				
County Levy	1,412,700	47.8%	1,544,979	52.2%
City/Town Levy	1,485,848	60.9%	954,558	39.1%
School NTC Levy	982,187	60.4%	643,166	39.6%
School RMV Levy	717,105	68.6%	327,514	31.4%
Miscellaneous District Levy	1,094,904	83.3%	218,8660	16.7%
State Levy	531,107	64.9%	286,947	35.1%
Total Levy	6,223,852	61.1%	3,976,031	39.0%
– Property Tax Credits	5,651		98,158	
Net Prop Tax Payable	6,218,201	61.6%	3,877,872	38.4%
Major State Taxes				
Individual Income Tax (2017 filed 2018)	7,023,574	69.5%	3,085,195	30.5%
Sales/Use Tax (Calendar 2018)	3,383,643	65.6%	1,773,216	34.4%
Mtr Vehicle Sales Tax (Calendar 2018)	482,647	53.4%	420,861	46.6%
Mtr Vehicle Reg Tax (Calendar 2018)	438,353	55.4%	352,669	44.6%
Gas Tax (Calendar 2018)	443,082	47.5%	490,032	52.5%
Corp Income Tax (Calendar 2018)	678,013	67.4%	332,879	32.6%
State Prop Tax (Payable 2018)	687,013	64.9%	286,947	35.1%
Total Taxes	12,989,420	65.8%	6,741,799	34.2%