

Major State Aids and Taxes: A Comparative Analysis

2021 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.gov or Jared at jared.swanson@house.mn.gov. Cover photo: House Public Information Services Office.



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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.

Online Data and Interactive Tools

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

¹ www.house.mn.gov/hrd/msa.aspx

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.

Effects of the COVID-19 Pandemic on Major State Aids and Taxes

The COVID-19 pandemic began in 2020 and resulted in significant changes to the state economy and a large public sector response to the pandemic, including the federal American Rescue Plan Act (ARPA) enacted in 2021. As a result, the data presented in this report may reflect the effects of the pandemic on the state and local government fiscal relationship, the economic effects of the pandemic, and federal aid to the state and local governments to respond to the pandemic. The data captured in the report do not tell a single picture, and it is difficult to disentangle the effects of the pandemic, the effects of federal fiscal aid to the state, and state policy changes enacted by the Minnesota Legislature.

Total tax collections grew in 2021 relative to 2020, and were above their pre-pandemic total from 2019. This growth in taxes collected was consistent across all tax types; other than the state general levy, the level of which is controlled by state policymakers, every tax in the major state aids dataset grew from 2020 to 2021. Most taxes—with the exception of the general levy and gas tax—were higher than their 2019 baseline.

Total state aids, credits, and property tax refunds grew 4.9 percent in 2021 relative to 2020, which does not stand out significantly from recent growth rates (the rate was 6.6 percent in 2018 and 11.4 percent in 2014). However, the total growth rate washes out significant changes in particular categories of aids, credits, and refunds. Property tax refunds fell 1.8 percent in 2021—the first decline since 2015—and there were no policy changes to the program. Total health and human services aid grew 7.4 percent from 2019 to 2020, and grew another 13.3 percent from 2020 to 2021, possibly reflecting the state's pandemic response.

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

2021 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 \$26.2 billion in fiscal year 2020 and \$30.0 billion in fiscal year 2021.³ Therefore, the \$23.3 billion total taxes listed in this report (residents and nonresidents) is about 83 percent of the total taxes actually collected over that period. In terms of revenue generated in fiscal year 2021, 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 2020 were partially paid through withholding and estimated payments in calendar year 2020, and final payments during calendar year 2021. As a result, income taxes for tax year 2020 are collected in fiscal years 2020, 2021, and 2022. To address these issues, the report includes data for a given tax that most closely matches fiscal year 2021.

Statewide

The state aids and credits listed in this report total about \$20.9 billion, an increase of 4.9 percent from the previous year. The totals of the seven major taxes listed in this report equal \$22.6 billion paid by residents and an additional \$0.7 billion paid by nonresidents (for a total tax amount of \$23.3 billion), an increase of 7.6 percent from the previous year.

Local property tax levies in the report total about \$10.6 billion, an increase of 2.0 percent from the previous year. Property tax refunds decreased about 1.8 percent, to about \$753 million, over the same time period.

Metro/Nonmetro

The state aids and credits for the seven-county metro area total about \$11.4 billion, an increase of 4.9 percent from the previous year. The major taxes for the metro area equal about \$14.7 billion, an increase of about 7.6 percent from the previous year.

Local property tax levies in the metro area total about \$6.5 billion, an increase of 1.8 percent from the previous year. Property tax refunds paid in the metro area total about \$493 million, a decrease of about 3.1 percent over the same time period.

The state aids and credits contained in this report for the nonmetro area of the state total about \$9.5 billion, an increase of 4.8 percent from the previous year. The major taxes for the

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, 2022 November Forecast*, December 8, 2022, <https://mn.gov/mmb-stat/documents/budget/operating-budget/forecast/nov-2022/nov22-cfs.pdf>.

nonmetro area equal about \$7.9 billion, an increase of about 9.2 percent from the previous year.

Local property tax levies in the nonmetro area of the state total about \$4.1 billion, an increase of 2.8 percent for the previous year. Property tax refunds paid in the nonmetro area total about \$260 million, an increase of 0.6 percent over the same time period.

2021 Aids and Taxes

(Amounts shown in \$ billions)

	Total Aids and Credits	Total Taxes
Metro	\$11.4	\$14.7
Nonmetro	\$9.5	\$7.9
Statewide Total		
Residents Only	\$20.9	\$22.6
Nonresidents Included	\$20.9	\$23.3

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)

	2017	2018	2019	2020	2021	5-Year Change
Total Aids and Credits	\$17.5	\$18.7	\$18.9	\$19.9	\$20.9	\$3.4 (19.4%)
Total Taxes	\$20.4	\$21.4	\$23.0	\$21.6	\$23.3	\$2.9 (14.2%)

Metro/Nonmetro

(Amounts shown in \$ billions)

	2017	2018	2019	2020	2021	5-Year Change
Metro						
Total Aids and Credits	\$9.5	\$10.1	\$10.3	\$10.9	\$11.4	\$1.9 (20.0%)
Total Taxes	\$12.3	\$13.0	\$13.8	\$13.7	\$14.7	\$2.4 (19.5%)
Nonmetro						
Total Aids and Credits	\$8.0	\$8.5	\$8.7	\$9.0	\$9.5	\$1.5 (18.8%)
Total Taxes	\$6.6	\$6.7	\$7.3	\$7.2	\$7.9	\$1.3 (19.7%)

Long-Term Trends

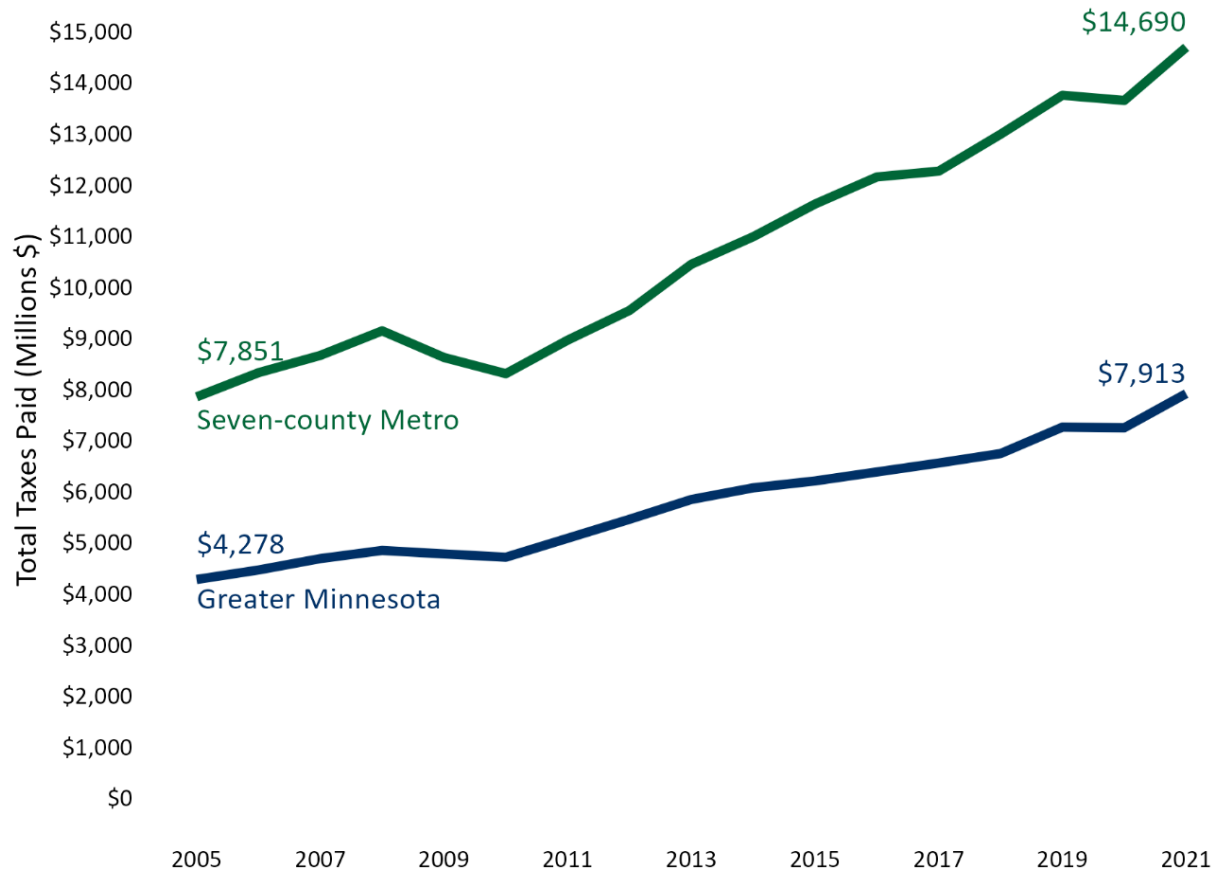
Trend in total taxes paid

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 85.6 percent in 2021 (\$14.69 billion for the metro and \$7.91 billion for greater Minnesota).

Total Taxes Paid in the Seven-County Metro and Greater Minnesota, 2005 to 2021

Amounts in nominal millions of dollars

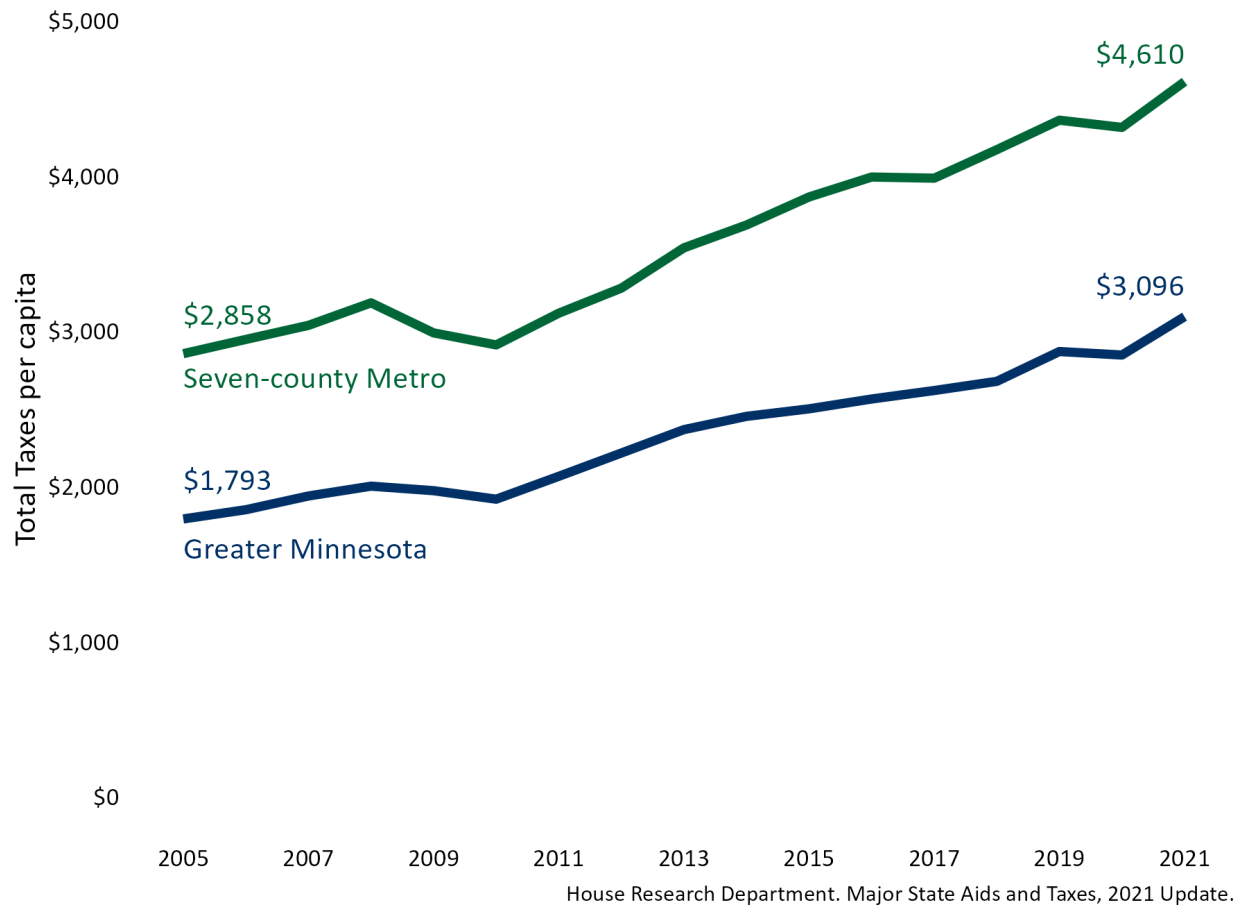


House Research Department. Major State Aids and Taxes, 2021 Update.

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 48.9 percent in 2021 (\$4,610 for the metro and \$3,096 for greater Minnesota).

Taxes Paid Per Capita in the Seven-County Metro and Greater Minnesota, 2005 to 2021

Amounts in nominal dollars per capita



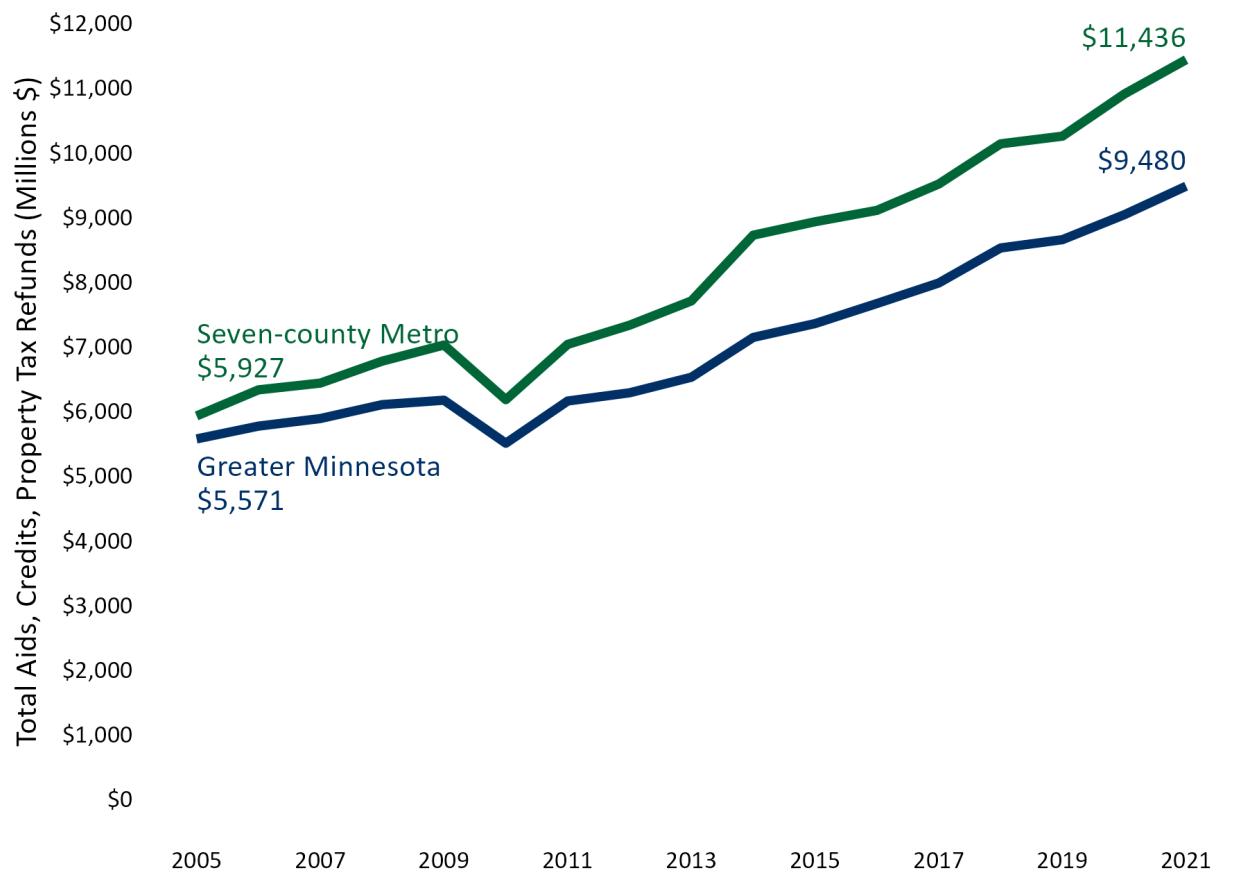
Trend in total aids, credits, and property tax refunds

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 20.6 percent in 2021. The growth in this gap may reflect faster population growth in the metro—which grew 16.0 percent over that period—compared to greater Minnesota, which grew only 7.1 percent.

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

Amounts in nominal millions of dollars

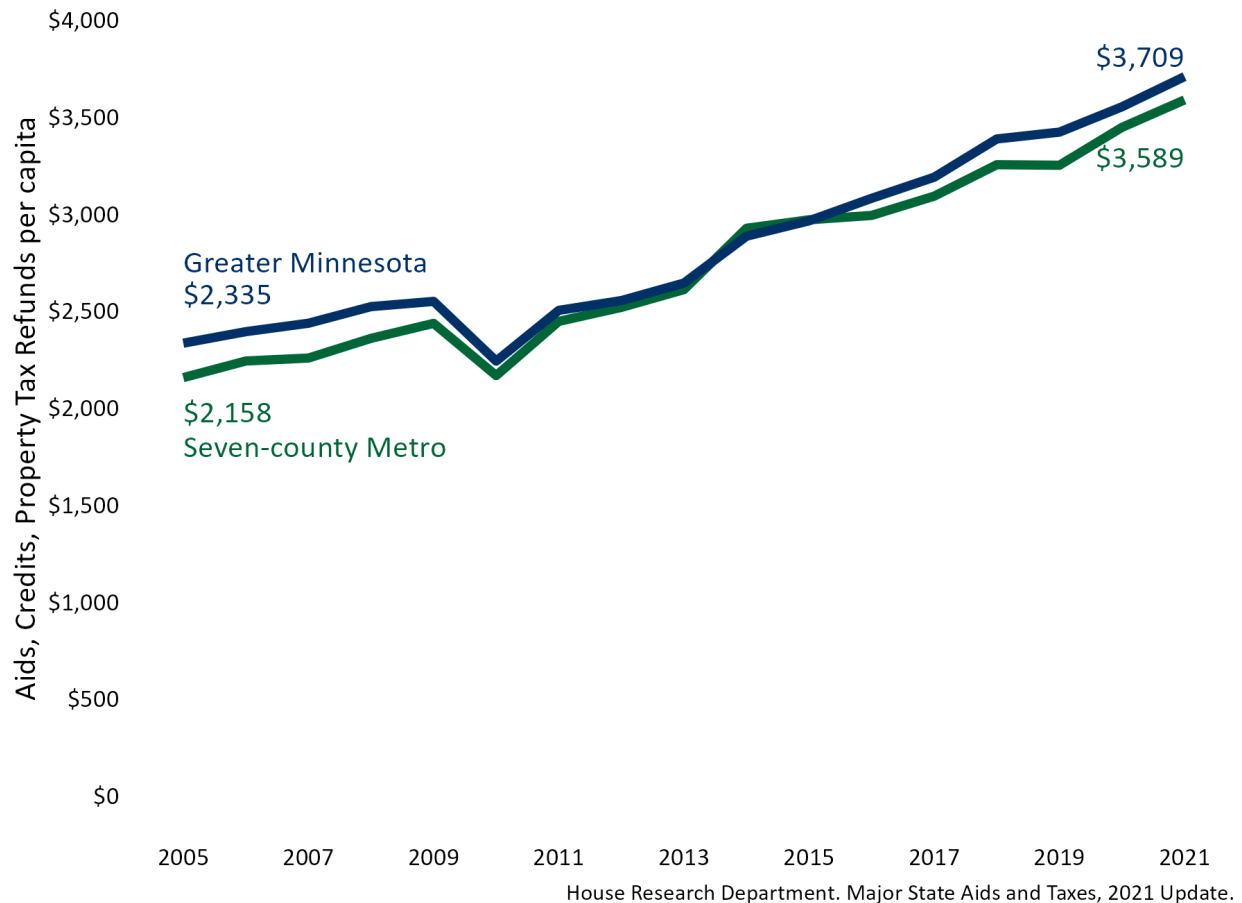


House Research Department. Major State Aids and Taxes, 2021 Update.

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. In recent years, the gap between greater Minnesota and the seven-county metro has been growing, with greater Minnesota receiving about 3.3 percent more aids, credits, and property tax refunds in 2021.

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

Amounts in nominal dollars per capita



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

1	Northwest
2	Headwaters
3	Arrowhead
4	West Central
5	Five
7E	East Central

Southern Regions

6E	Six East
6W	Upper Minnesota Valley
7W	Central Minnesota
8	Southwest
9	Nine
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 government expenditures. This is the only place where amounts presented are adjusted for inflation.

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

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 77 percent of the total aid (including aid to charter schools) is general education aid.

Minnesota's K-12 schools are primarily funded through state aid and local property taxes. In most years, the amount of federal aid is generally fairly small (under 6 percent of the total revenue statewide for school districts and charter schools). This document, Major State Aids and Taxes, measures state aid and local property taxes, but does not include any federal funds for schools. The federal government substantially increased funding for schools through its COVID responses. Federal funds, due to COVID relief responses, increased from 5.7 percent of total school revenue in fiscal year 2020 to 9.6 percent of total school revenue for fiscal year 2021.

Aid Amount and Reporting

2020/2021 Education Aid: \$9.5 billion

The total education aid for the 2020/2021 school year was \$9,499,135,637. This total includes \$885,367,062 that went to the 169 charter schools that received funding in the 2020/2021 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 2020/2021 education aid total does not include the following amounts paid to entities other than school districts and charter schools:

- \$142.6 million to intermediate school districts⁵
- \$88.5 million to cooperative school organizations

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.

- \$39.8 million to colleges and universities participating in the postsecondary enrollment options (PSEO) program
- \$25.1 million to Head Start programs
- \$20.0 million to regional libraries
- \$7.1 million to nonprofits operating adult basic education
- \$3.2 million to the Faribault Academies for the Deaf and Blind (does not include the separate line item state appropriation to the Faribault Academies)
- \$1.6 million to four Tribal contract schools

Education aid by home county⁶ by school district was obtained from the Minnesota Department of Education. For school districts with territory in more than one county, House Research allocates the state aid among the component counties.

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.

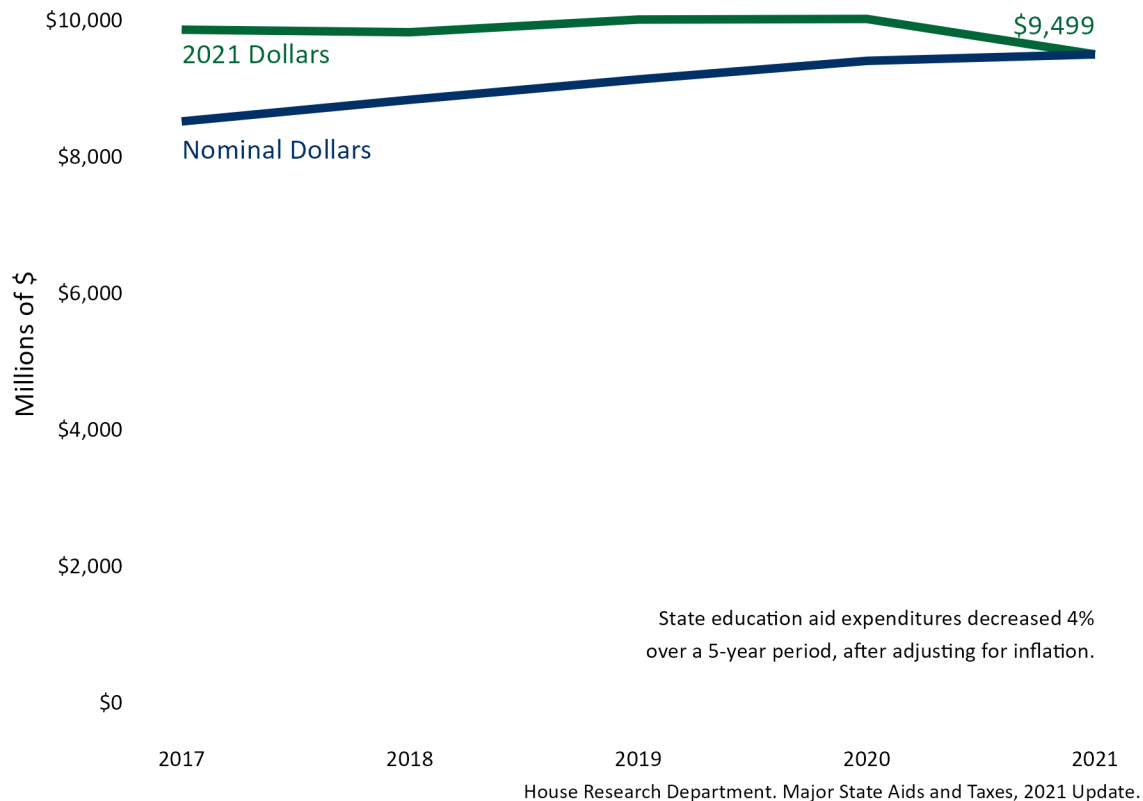
Education Aid: 2016/2017 School Year to 2020/2021 School Year
Nominal dollars, in thousands

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	5-Yr. Chg. Aid
State	\$8,516,442	\$8,834,494	\$9,132,370	\$9,404,401	\$9,499,136	12%
<u>Northern Regions</u>						
Northwest (1)	140,313	143,381	148,045	152,457	153,946	10
Headwaters (2)	155,411	160,312	163,878	171,108	170,795	10
Arrowhead (3)	431,838	445,109	455,374	471,746	473,689	10
West Central (4)	335,175	345,179	361,389	377,774	384,172	15
Five (5)	246,025	254,065	265,945	274,232	270,779	10
East Central (7E)	236,415	243,920	247,110	252,772	250,521	6
<u>Southern Regions</u>						
Six East (6E)	178,913	186,459	194,395	201,232	200,939	12
Upper MN Valley (6W)	70,349	73,157	76,476	78,975	81,977	17
Central MN (7W)	676,944	702,682	731,079	752,021	755,918	12
Southwest (8)	198,015	206,743	223,823	227,668	231,077	17
Nine (9)	309,368	321,421	337,230	350,491	353,878	14

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

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	5-Yr. Chg. Aid
Southeastern MN (10)	750,888	777,947	807,343	835,060	854,304	14
Total Nonmetro	\$3,729,654	\$3,860,377	\$4,010,088	\$4,145,537	\$4,181,995	12%
<u>Metro Region</u>						
Hennepin County	1,818,622	1,892,019	1,943,096	1,990,393	2,013,703	11
Ramsey County	933,610	961,751	988,864	1,007,741	1,015,868	9
Remaining Metro	2,034,555	2,120,348	2,190,323	2,260,729	2,287,569	12
Total Metro	\$4,786,788	\$4,974,117	\$5,122,283	\$5,258,863	\$5,317,141	11%

Statewide Education Aid, 2017-2021



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

2021 Human Services Aid: \$8.6 billion

The state's share of the human services expenditures for calendar year 2021 is \$8,608,530,875. 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)	\$5,783,244,932	67.5%
Minnesota Family Investment Program (MFIP)	97,391,724	1.1%
General Assistance (GA)	50,976,993	0.6%
MinnesotaCare (MNCare)	35,593,974	0.4%
Social Services (including Community Social Services Act)	2,450,426,921	28.6%
Miscellaneous:		
Minnesota Supplemental Assistance	49,740,426	0.6%
Housing Support	137,981,147	1.6%
Supplemental Nutrition Assistance Program (SNAP)	1,631,669	0.0%
Title IV Child Support	1,543,089	0.0%
Total	\$8,608,530,875	100.0%

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 2021, MFIP spending in Minnesota totaled \$423.5 million. Of this amount:

- \$279.2 million was paid by the federal government;
- \$79.7 million was paid by state government;
- \$29.3 million was paid by county governments; and
- \$35.3 million was paid in child support collections that offset state and federal payments. Half of these collections offset federal costs and half offset state costs.

State MFIP payments described in this report are the \$79.7 million net amount paid by the state, plus the portion of child support that offset state payments (about \$17.7 million).

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 services amount for DVHHS is \$38.6 million, for the Human Service Board is \$60.0 million, for MN Prairie is \$94.1 million, and for SWHHS is \$112.0 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

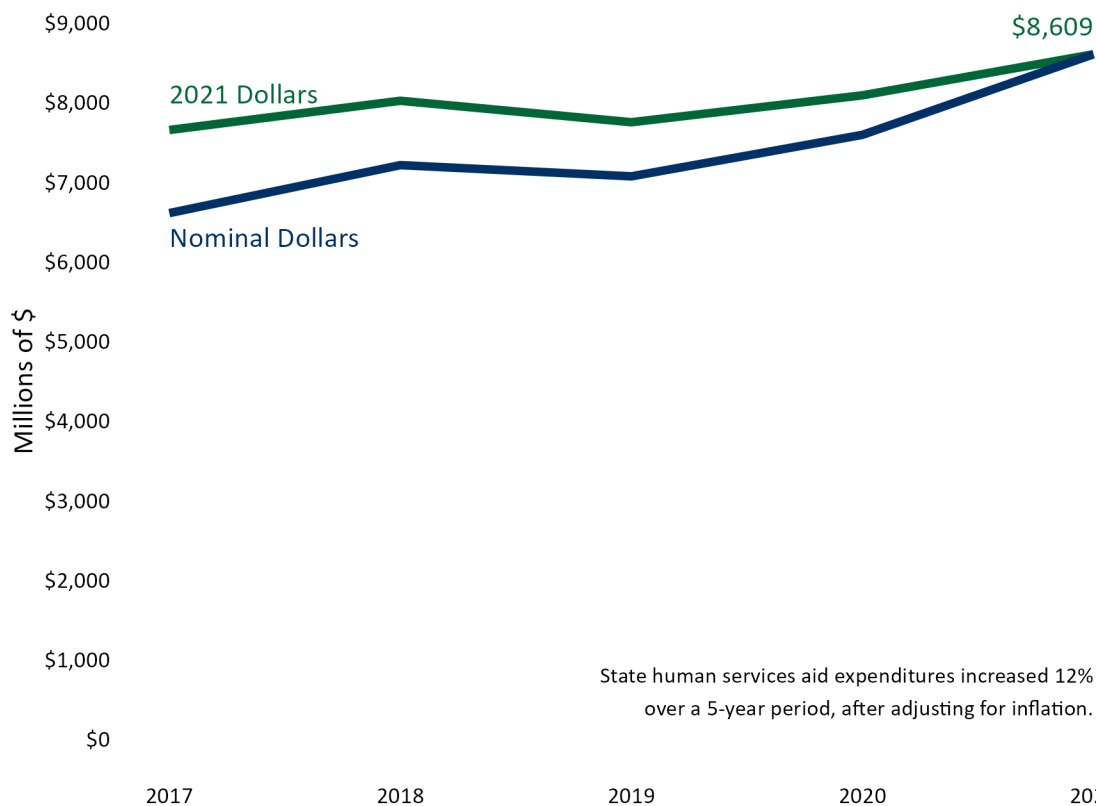
The table below shows the distribution of human services aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of human services aid for that same time period in nominal and constant (inflation-adjusted) dollars.

Human Services Aid: Calendar Years 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
State	\$6,613,083	\$7,215,917	\$7,074,955	\$7,596,449	\$8,608,531	30%
<u>Northern Regions</u>						
Northwest (1)	113,113	125,816	117,007	125,425	133,788	18
Headwaters (2)	140,890	156,041	156,851	168,325	182,954	30
Arrowhead (3)	467,481	527,345	496,196	527,531	569,535	22
West Central (4)	277,900	304,037	294,320	316,683	342,822	23
Five (5)	232,315	249,611	240,677	263,794	287,709	24
East Central (7E)	229,191	198,084	203,282	219,915	242,939	6
<u>Southern Regions</u>						
Six East (6E)	134,616	148,429	143,953	155,237	169,674	26
Upper MN Valley (6W)	62,008	71,331	68,745	75,090	80,252	29
Central MN (7W)	377,410	415,048	416,789	342,567	531,523	41

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
Southwest (8)	137,743	161,550	150,724	165,635	177,583	29
Nine (9)	245,643	270,234	260,681	283,433	310,656	26
Southeastern MN (10)	512,277	560,070	552,873	589,119	647,330	26
Total Nonmetro	\$2,930,586	\$3,187,598	\$3,102,097	\$3,232,755	\$3,676,764	25%
<u>Metro Region</u>						
Hennepin County	1,731,686	1,902,234	1,869,218	2,045,449	2,305,383	33
Ramsey County	894,235	970,040	947,303	1,034,540	1,156,142	29
Remaining Metro	1,056,539	1,156,046	1,156,329	1,283,704	1,470,234	39
Total Metro	\$3,682,460	\$4,028,319	\$3,972,850	\$4,363,694	\$4,931,759	34%

Statewide Human Services Aid, 2017-2021



House Research Department. Major State Aids and Taxes, 2021 Update.

Highway Aid

Program Description

Highway aid is the total amount of state aid distributed to counties, cities, and towns for highway purposes. The main 2021 sources of funds are: (1) the Highway User Tax Distribution (HUTD) fund, which receives money from the motor fuels tax, the motor vehicle registration tax, and part of the motor vehicle sales tax; (2) portions of states sales taxes, namely on automotive parts, vehicle rentals, and motor vehicle leases; and (3) proceeds from state bonds.

Most of the aid is distributed according to a combination of multiple constitutional and statutory formulas. The formula for the largest amount of aid is established in the Minnesota Constitution to distribute money in the HUTD fund. Under the constitution, 95 percent of the HUTD fund is distributed as follows:

- 29 percent is allocated to the County State-Aid Highway Fund for allocation by statutory formula among the counties
- 9 percent goes to the Municipal State-Aid Street Fund for formula-based aid to cities with populations over 5,000
- 62 percent goes to the Trunk Highway Fund for the state highway system

Allocation of the remaining 5 percent of the HUTD fund is determined by the legislature. Following a statutory formula, a little under half is used for town roads and town bridges. The rest goes into a flexible highway account generally used for road improvements on “turnbacks” in which trunk highways are converted to become part of local road systems.

Aid Amount and Reporting

2021 Highway Aid: \$964.3 million

The total \$964.3 million in state highway aid paid in calendar year 2021 to 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 2021 (using the proceeds from state bonds that had been authorized that year or in previous years).

Type of Highway Aid	Amount	Total
County Aid		
County State-Aid Highway	\$617,798,681	
County Road and Bridge Bond Funding	43,330,469	
Motor Vehicle Lease Sales Tax Aid	<u>30,119,779</u>	
County Aid Total		\$691,248,929

Type of Highway Aid	Amount	Total
Municipal Aid		
Municipal State-Aid Street	\$193,011,589	
Municipal Road and Bridge Bond Funding	<u>32,499,096</u>	
Municipal Aid Total		\$225,510,685
Township Aid		
Town Road Account	\$34,735,739	
Town Bridge Account*	12,755,419	
Town Bridge Bond Funding	<u>0</u>	
Township Aid Total		\$47,491,158
Total Highway Aid		\$964,250,772
* 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 2021, the state allocated approximately \$60.9 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 \$38.8 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 2021, total highway funding from state sources other than bond proceeds amounted to nearly \$2.58 billion for both state and local road systems.

Highway aid data was obtained from the Department of Transportation.

Recent Law Changes

The 2023 Legislature enacted several changes to the highway finance structure, including to modify and increase some transportation-related taxes, impose a new retail delivery fee (which first went into effect in 2024 and is therefore not reflected in the aid amounts shown in this publication), create a regional transportation tax in the Twin Cities metropolitan area, redirect revenue from the state general sales tax attributed to automotive parts, and establish new associated accounts and allocation formulas. A few of the changes are described in later sections on the major taxes.

Among prior notable changes, the 2017 Legislature reallocated a number of state sales tax streams to transportation purposes (instead of the general fund), including a portion of general

sales tax revenue attributed from automotive parts sales, general sales tax revenue due to short-term vehicle rentals, collections from a separate vehicle rental tax, and an increased share of sales tax revenue resulting from long-term motor vehicle leases. The law also modified distribution of general sales tax revenue on motor vehicle leases.

The legislature has periodically authorized bonding for local roads and bridges. There were authorizations that totaled \$238.7 million in 2017, \$110.1 million in 2018, no amount in 2019, \$266.7 million in 2020, no additional bonds in 2021 or 2022, \$222.8 million in 2023, and no additional amount in 2024. 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 road and bridge bonding amounts in the year the bond proceeds were expended, which are generally delayed after 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

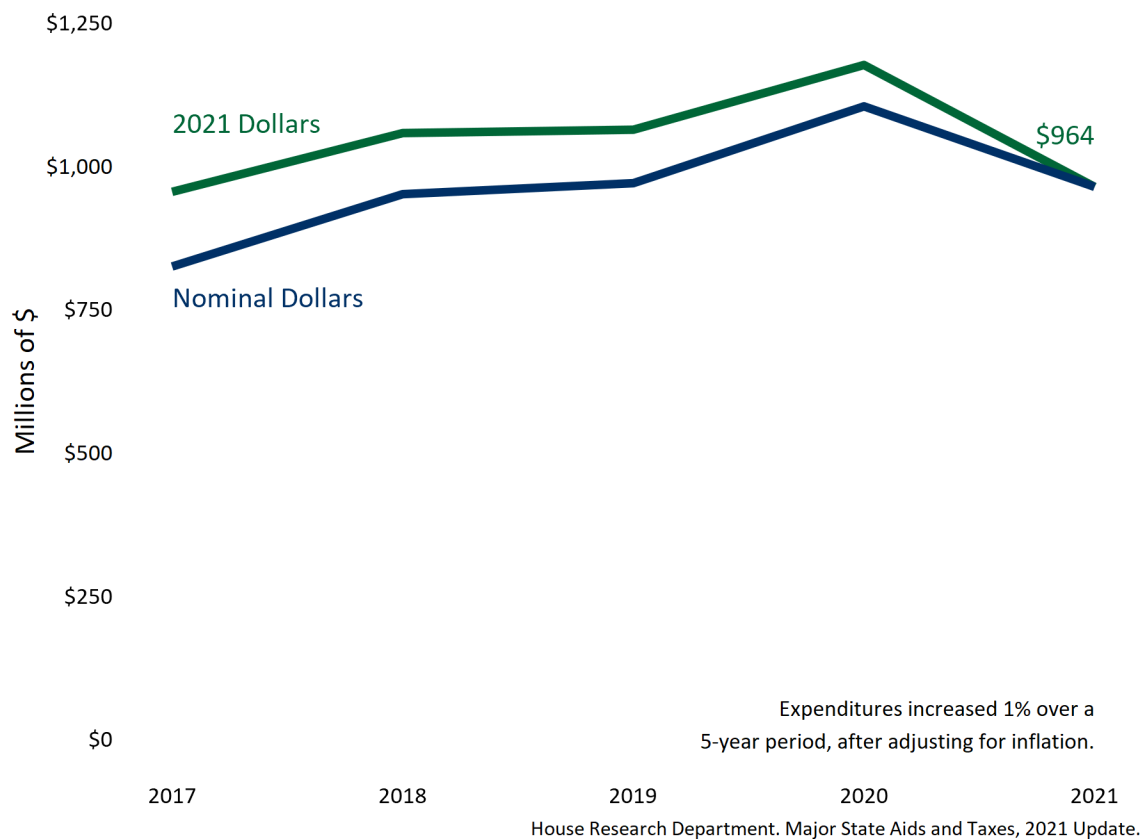
The table below shows the distribution of highway aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of highway aid for that same time period in nominal and constant (inflation-adjusted) dollars.

Highway Aid: Calendar Years 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
State	\$825,307	\$951,555	\$970,715	\$1,104,762	\$964,251	17%
<u>Northern Regions</u>						
Northwest (1)	40,014	44,426	44,022	50,696	45,237	13
Headwaters (2)	23,552	28,304	26,636	29,826	28,083	19
Arrowhead (3)	78,001	83,712	81,803	88,380	81,060	4
West Central (4)	57,250	72,603	92,175	80,724	74,596	30
Five (5)	32,573	36,312	40,549	41,715	36,935	13
East Central (7E)	29,811	34,911	33,997	35,377	32,543	9
<u>Southern Regions</u>						
Six East (6E)	26,363	29,177	31,579	35,351	35,031	33
Upper MN Valley (6W)	20,034	23,726	24,209	28,925	25,419	27
Central MN (7W)	47,829	50,788	52,525	60,321	52,349	9
Southwest (8)	43,774	51,978	53,458	63,108	57,784	32
Nine (9)	53,253	62,286	62,345	71,207	68,074	28

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
Southeastern MN (10)	85,797	97,662	97,779	107,717	96,802	13
Total Nonmetro	\$538,249	\$615,886	\$641,077	\$693,345	\$633,912	18%
<u>Metro Region</u>						
Hennepin County	94,598	111,556	109,545	148,693	124,385	31
Ramsey County	46,706	56,245	48,129	66,444	47,467	2
Remaining Metro	145,755	167,867	171,963	196,280	158,486	9
Total Metro	\$287,058	\$335,668	\$329,637	\$411,417	\$ 330,338	15%

State Highway Aid, 2017-2021



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 LGA formula used for the 2021 distribution during the 2013 session, effective beginning with aids payable in 2014. In 2023, the legislature updated the formula, but for the 2021 distribution of LGA, the formula contained 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

2021 Local Government Aid: \$564.4 million

The 2021 certified LGA total was \$564.4 million.

LGA data was obtained from the Department of Revenue.

Recent Law Changes

LGA formula and appropriation changes in 2023

The city LGA formula and appropriation was changed in 2023, with the changes going into effect beginning with aids payable in 2024. The annual appropriation was increased by \$80 million, and several formula factors were changed. Future versions of this report will detail the formula changes.

LGA appropriation change in 2019

The city LGA appropriation was increased by \$26 million for aids payable in 2020 with an additional \$4 million beginning in 2021. The aid appropriation was \$564,398,012 for aids payable in 2021 through 2023. Also, for calendar year 2020 only, no city's aid amount could 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.

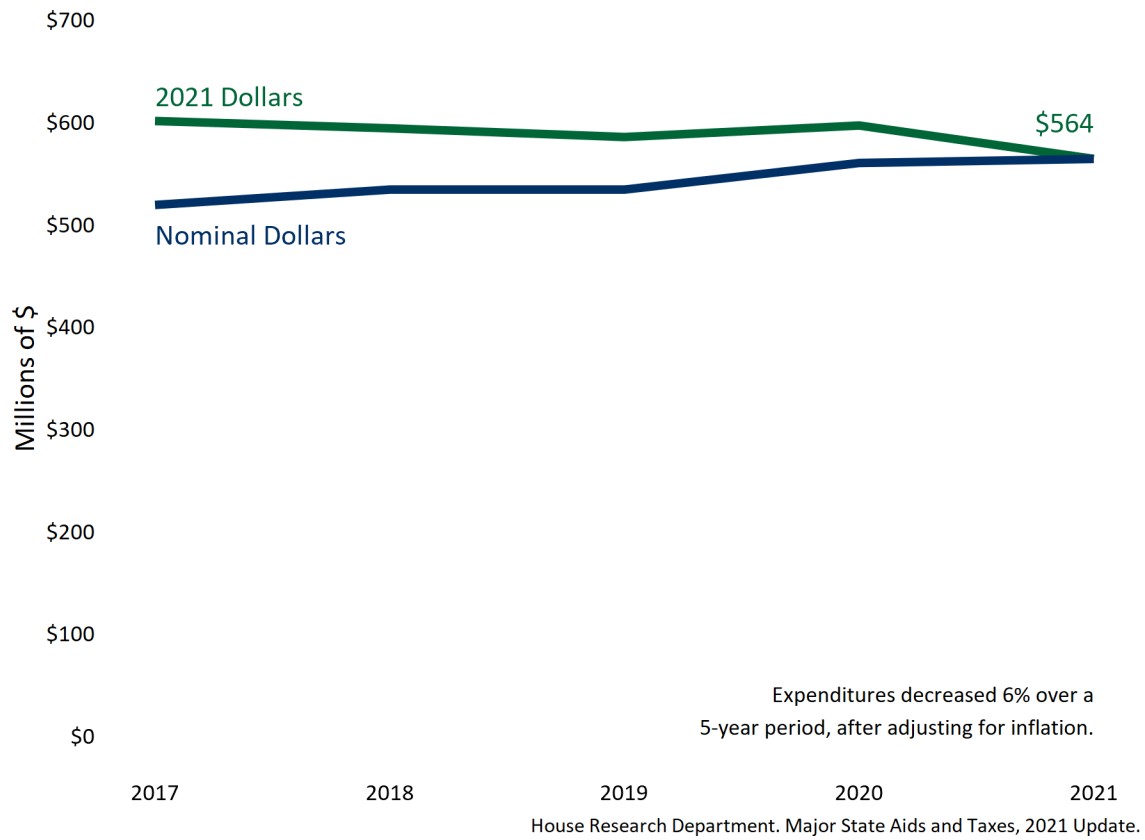
The Past Five Years of Local Government Aid

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 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
State	\$519,398	\$534,398	\$534,398	\$560,398	\$564,398	9%
<u>Northern Regions</u>						
Northwest (1)	17,169	17,409	17,316	17,841	18,030	5
Headwaters (2)	6,053	6,234	6,244	6,563	6,750	12
Arrowhead (3)	71,260	73,070	73,145	75,861	77,229	8
West Central (4)	28,374	28,758	28,689	29,490	29,821	5

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
Five (5)	15,317	15,793	15,810	16,745	17,187	12
East Central (7E)	10,527	11,128	11,168	12,290	12,819	22
<u>Southern Regions</u>						
Six East (6E)	17,830	18,352	18,385	19,384	19,884	12
Upper MN Valley (6W)	9,975	10,163	10,156	10,538	10,716	7
Central MN (7W)	28,555	30,013	30,030	32,468	33,412	17
Southwest (8)	24,527	25,078	25,084	26,142	26,673	9
Nine (9)	43,633	44,704	44,776	46,695	47,635	9
Southeastern MN (10)	67,553	69,402	69,354	72,178	72,244	7
Total Nonmetro	\$340,774	\$350,104	\$350,157	\$366,196	\$372,400	9%
<u>Metro Region</u>						
Hennepin County	90,883	92,264	92,046	95,353	91,612	1
Ramsey County	69,311	72,369	72,503	77,028	78,431	13
Remaining Metro	18,430	19,661	19,692	21,821	21,955	19
Total Metro	\$178,624	\$184,294	\$184,241	\$194,202	\$ 191,998	7%

Statewide Local Government Aid, 2017-2021

Disparity Reduction Aid (DRA)

Program Description and Aid Amount and Reporting

2021 Disparity Reduction Aid: \$18.1 million

Disparity reduction aid is a state aid program that distributed \$18,133,038 to counties, towns, and school districts in 2021. 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 significantly in the last five years.

Disparity Reduction Aid: 2021

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$542	3.0%
	Headwaters (2)	239	1.3
	Arrowhead (3)	10,805	59.6
	West Central (4)	314	1.7
	Five (5)	362	2.0
	East Central (7E)	94	0.5
Southern Regions	Six East (6E)	375	2.1
	Upper MN Valley (6W)	578	3.2
	Central MN (7W)	158	0.9
	Southwest (8)	822	4.5
	Nine (9)	858	4.7
	Southeastern MN (10)	1,622	8.9
Total Nonmetro		\$16,768	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		\$18,133	100.0%

County Program Aid

Program Description

About 45 percent of the funding for county program aid is distributed based on each county's relative shares of (1) persons receiving SNAP benefits (food benefits), (2) age-adjusted population (population weighted more heavily for the number of persons over age 65), and (3) the reported number of Group A offenses (serious crimes). The other 55 percent 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

2021 County Program Aid: \$264.0 million

The total amount of county program aid certified for aids payable in 2021 was \$264.0 million. This total is after subtraction of \$500,000 to pay for court-ordered counsel⁷ 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

In 2023, the legislature increased the aid appropriation by \$80 million for aids payable in 2024 and thereafter, bringing the total appropriation in those years to \$344,668,444. The legislature also adjusted the crimes measure within the CPA formula. Beginning with data reported for 2021, the FBI and Bureau of Criminal Apprehension no longer classify crimes as "Part I" or "Part II" crimes. Instead, crimes are now classified as "Group A" or "Group B" offenses. In general, Group A offenses include all the Part I crimes plus additional types of serious offenses. Group A offenses will replace Part I crimes in the CPA formula, beginning with aids payable in 2024.

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 through 2023.

The Past Five Years of County Program Aid

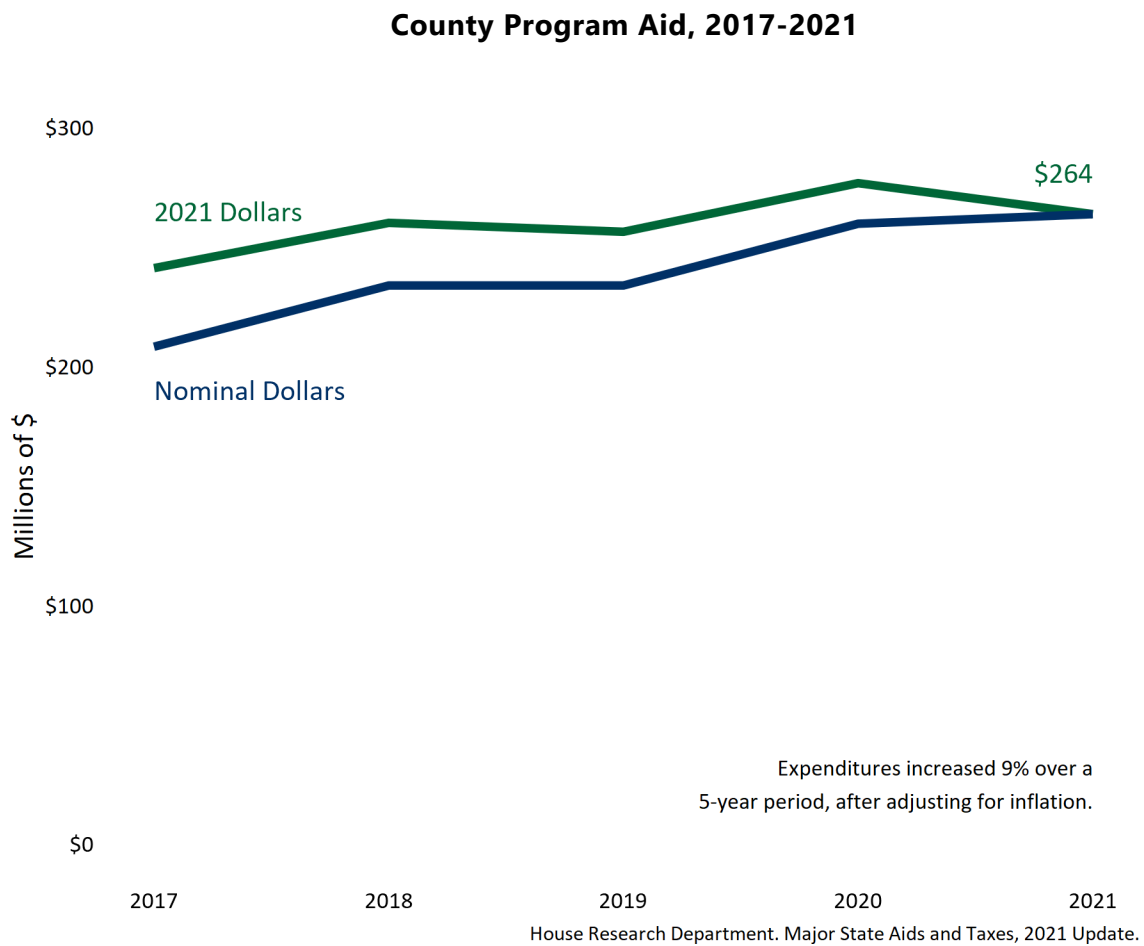
The table below shows the distribution of county program aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of county program aid for that same period in nominal and constant (inflation-adjusted) dollars.

⁷ \$500,000 was authorized for court-ordered counsel in 2021, which was offset by \$16,927 of the 2020 authorization that was unspent.

Note: A data error in the previous version of this report led to incorrect aid amounts being shown for 2020 county program aid. That error has been corrected in the following table and on the online data tool.

County Program Aid: Payable Years 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
State	\$208,457	\$234,091	\$234,091	\$264,012	\$263,971	27%
<u>Northern Regions</u>						
Northwest (1)	2,836	4,408	4,408	5,320	5,294	87
Headwaters (2)	8,260	8,949	8,949	9,654	9,605	16
Arrowhead (3)	17,537	19,161	19,161	22,251	21,498	23
West Central (4)	7,931	10,447	10,447	12,114	12,022	52
Five (5)	6,717	7,634	7,634	8,533	8,640	29
East Central (7E)	9,219	9,800	9,800	10,859	10,930	19
<u>Southern Regions</u>						
Six East (6E)	4,710	5,482	5,482	6,254	6,323	34
Upper MN Valley (6W)	853	2,567	2,567	2,866	2,872	237
Central MN (7W)	19,480	21,108	21,108	24,328	24,279	25
Southwest (8)	2,641	5,329	5,329	6,062	6,075	130
Nine (9)	8,062	10,086	10,086	11,657	11,606	44
Southeastern MN (10)	22,097	24,137	24,137	26,906	26,892	22
Total Nonmetro	\$110,342	\$129,107	\$129,107	\$146,803	\$146,036	32%
<u>Metro Region</u>						
Hennepin County	30,838	32,204	32,204	35,930	35,959	17
Ramsey County	16,941	17,477	17,477	20,592	20,271	20
Remaining Metro	50,335	55,303	55,303	60,687	61,706	23
Total Metro	\$98,115	\$104,984	\$104,984	\$117,209	\$117,935	20%



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 2021, the counties were funded as follows:

- Thirty-five counties were CCA counties. CCA counties are responsible for the supervision of all felony, gross misdemeanor, and juvenile probation cases within the county. This group contains a majority of the state's population, including most of the Twin Cities metropolitan area.
- Fifty-two counties were non-CCA counties. Although the DOC provides adult felony supervision to all 52 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. In 2021, there were 22 counties providing supervision under this model; and
 - "DOC" counties, in which the DOC provides juvenile and adult misdemeanor supervision in addition to felony supervision. The cost of the nonfelony supervision is billed back to the counties, but no costs are billed for felony supervision.

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

2021 Community Corrections Funding: \$111.4 million

In 2021, state funding for community corrections was \$111,357,504.⁸ The table below lists the calendar year 2021 statewide total amounts for the various community corrections funding programs.

Program	Amount	Percent
CCA aid	\$47,561,811	42.7%
CPO reimbursement aid	4,938,000	4.4
DOC field services	32,969,078	29.6
Adult felony caseload reduction	984,407	0.9

⁸ An additional \$7.4 million, not included in this report, was distributed for miscellaneous categorical services.

Program	Amount	Percent
Caseload/workload reduction	13,134,778	11.8
Intensive supervision	7,878,738	7.1
Enhanced supervision of adult sex offenders	3,890,692	3.5
Total Aid and In-kind Services	\$111,357,504	100.0%

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
DO	Dodge 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 Group A offenses,⁹ as reported by the Department of Public Safety.

⁹ Group A offenses, formally known as Part I crimes, are the most serious crimes: murder and non-negligent homicide, rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny, and arson.

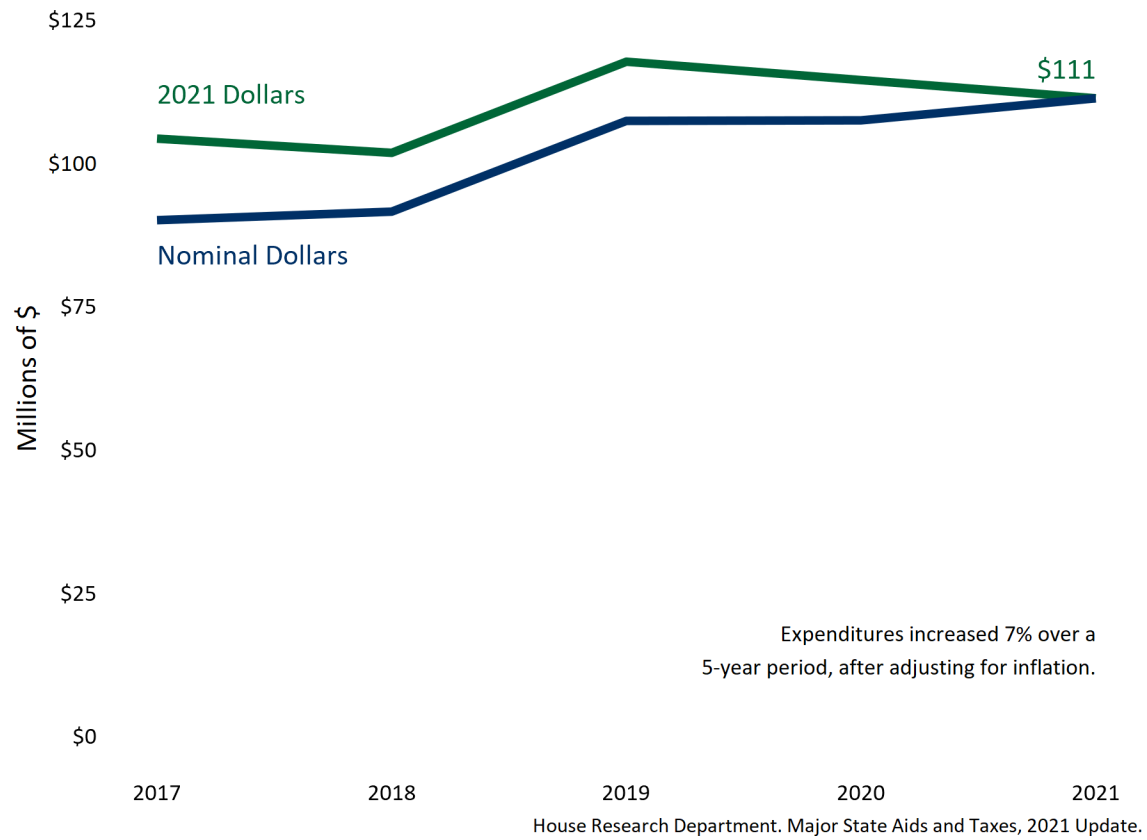
The community corrections funding data was obtained from the DOC.

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 2017 to 2021 Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Aid
State	\$90,091	\$91,580	\$107,419	\$107,509	\$111,358	24%
<u>Northern Regions</u>						
Northwest (1)	1,689	1,941	2,278	2,278	3,368	99
Headwaters (2)	1,878	2,202	3,881	3,881	4,678	149
Arrowhead (3)	7,647	7,607	8,347	8,347	8,165	7
West Central (4)	3,496	4,072	6,956	6,956	7,342	110
Five (5)	3,013	3,077	3,726	3,726	3,666	22
East Central (7E)	3,426	3,753	6,264	6,264	5,295	55
<u>Southern Regions</u>						
Six East (6E)	1,967	2,170	3,030	3,030	3,787	93
Upper MN Valley (6W)	750	811	927	927	976	30
Central MN (7W)	5,797	6,422	7,957	7,918	7,553	30
Southwest (8)	1,963	2,413	3,511	3,511	4,598	134
Nine (9)	6,104	4,529	5,909	5,948	7,401	21
Southeastern MN (10)	7,695	8,378	10,007	10,097	9,931	29
Total Nonmetro	\$45,425	\$47,376	\$62,795	\$62,885	\$66,761	47%
<u>Metro Region</u>						
Hennepin County	18,772	18,505	18,496	18,496	18,550	-1
Ramsey County	10,813	10,644	10,448	10,448	10,541	-3
Remaining Metro	15,082	15,054	15,680	15,680	15,506	3
Total Metro	\$44,667	\$44,204	\$44,624	\$44,624	\$44,596	0%

Community Corrections Funding, 2017-2021

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

2020 (filed 2021) Homestead Credit Refund: \$539.1 million

Total homestead credit refunds for 2020 returns is \$539,112,817. These returns are based on 2020 income and property taxes payable in 2021, and filed beginning in 2021.

Homeowners*	Number of Returns	Total Amount	Average Refund
Senior/Disabled	231,560	\$267,084,894	\$1,153
Under 65 Years	267,086	\$272,027,923	\$1,019
Total	498,646	\$539,112,817	\$1,081
* Includes claimants who are part-year homeowners and part-year renters for that year's claim.			

Recent Law Changes

The 2013 Legislature renamed the program the “Homestead Credit Refund” and further expanded the program by decreasing the threshold percentages effective for refunds based on taxes payable in 2014.

The 2023 Legislature reduced co-pay percentages by 3 percentage points for all income ranges. These changes are effective for 2024 refunds filed in 2025 and are not reflected in this report.

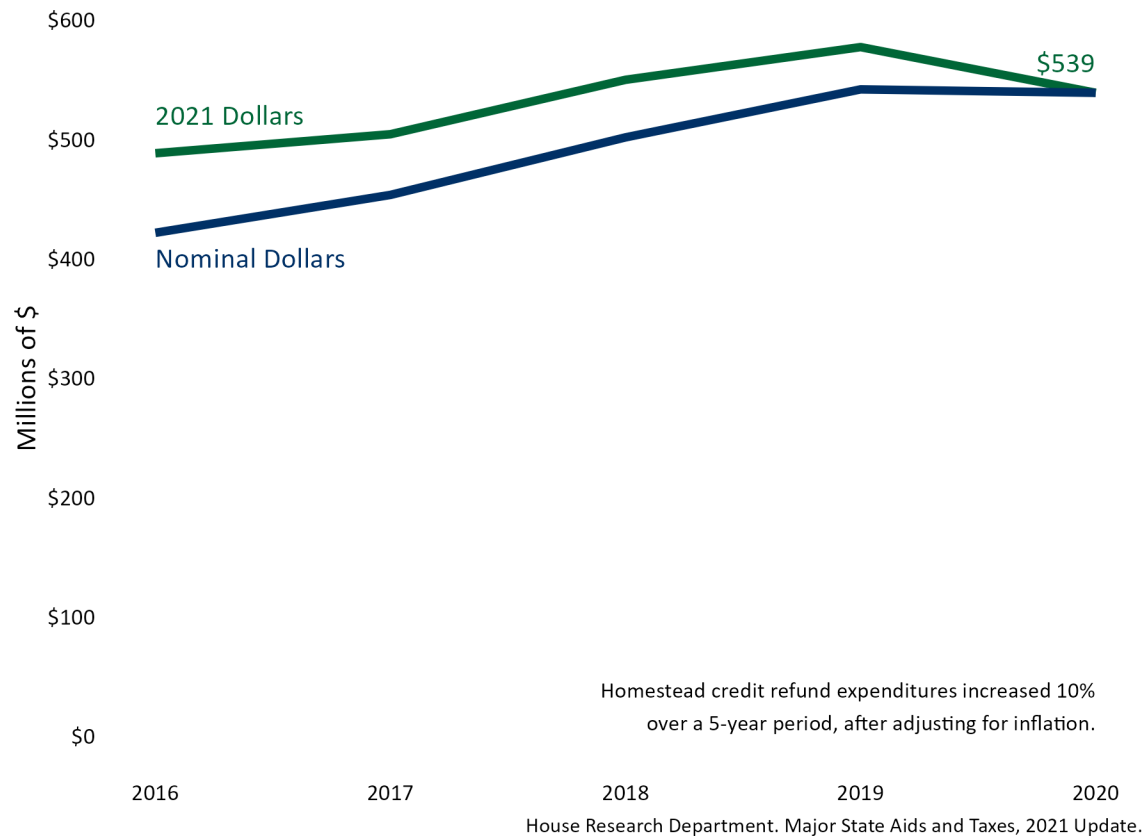
Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for less than 0.2 percent of 2020 claims. This report apportions these claims to counties based on each county's share of total claims.

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: 2016 to 2020 (filed 2017 to 2021)
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$421,869	\$453,598	\$501,786	\$541,984	\$539,113	28%
<u>Northern Regions</u>						
Northwest (1)	2,642	2,920	3,010	3,143	3,160	20
Headwaters (2)	2,682	2,711	2,958	3,069	3,202	19
Arrowhead (3)	17,275	18,236	20,382	22,088	22,169	28
West Central (4)	10,942	11,716	12,862	14,550	14,686	34
Five (5)	8,309	8,578	9,473	10,188	10,629	28
East Central (7E)	15,154	16,500	18,248	19,817	20,764	37
<u>Southern Regions</u>						
Six East (6E)	6,177	6,587	7,472	8,762	9,416	52
Upper MN Valley (6W)	874	874	974	1,124	1,237	42
Central MN (7W)	31,602	34,203	38,591	44,109	44,688	41
Southwest (8)	2,626	2,933	3,333	3,811	3,775	44
Nine (9)	11,198	12,954	14,717	16,082	17,038	52
Southeastern MN (10)	28,916	31,999	36,590	41,326	42,367	47
Total Nonmetro	\$138,397	\$150,210	\$168,610	\$188,067	\$193,131	40%
<u>Metro Region</u>						
Hennepin County	124,953	131,839	143,362	148,521	143,652	15
Ramsey County	45,633	49,986	56,051	62,101	61,154	34
Remaining Metro	112,886	121,564	133,763	143,295	141,177	25
Total Metro	\$283,472	\$303,388	\$333,177	\$353,917	\$345,982	22%

Statewide Homestead Credit Refund, 2016-2020 (filed 2017 to 2021)

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.

Beginning with refunds based on 2024 incomes (filed in 2025), the renter’s property tax refund will be converted to a refundable income tax credit, which will be filed as part of an individual income tax return. This change is not reflected in the data presented in this report.

Aid Amount and Reporting

2020 Filed 2021 Property Tax Refund for Renters: \$211.1 million

The total property tax refunds for 2020 returns filed in 2021 for renters is \$211,184,709. These returns are based on 2020 income and rent paid in 2020.

Renters	Number of Returns	Total Amount	Average Refund
Senior/Disabled	88,418	\$72,170,607	\$816
Under 65 Years	213,097	\$139,014,102	652
Total	301,515	\$211,184,709	\$700

Recent Law Changes

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 decreased the threshold percentages for renters to be no higher than those for homeowners and increased the maximum refund for renters.

The 2023 Legislature converted the renter’s credit into a refundable income tax credit, which will be filed as part of an individual income tax return. The legislature also changed the income measure used to calculate the credit from “household income,” which included certain categories of nontaxable income, to adjusted gross income. Those changes are effective for 2024 claims filed in 2025, and are not reflected in the data in this report.

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 1.7 percent of 2020 claims. This report apportions these claims to counties based on each county’s share of total claims.

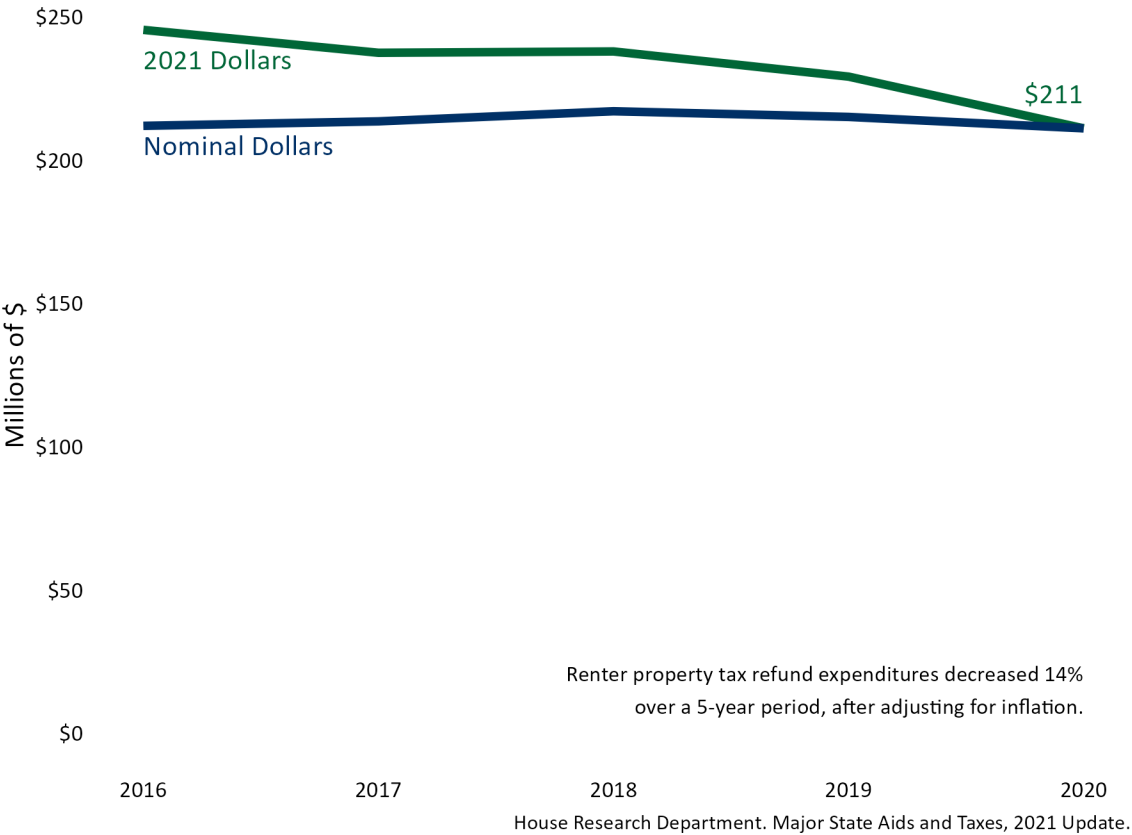
The Past Five Years of Property Tax Refund for Renters

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: 2016 to 2020 (filed 2017 to 2021)
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
State	\$212,058	\$213,622	\$217,147	\$215,167	\$211,185	0%
<u>Northern Regions</u>						
Northwest (1)	1,423	1,483	1,433	1,354	1,316	-8
Headwaters (2)	1,702	1,763	1,772	1,737	1,815	7
Arrowhead (3)	8,887	9,150	9,136	8,583	8,291	-7
West Central (4)	5,930	6,127	6,218	6,036	6,140	4
Five (5)	3,931	3,982	4,073	3,846	3,856	-2
East Central (7E)	3,764	3,589	3,624	3,485	3,424	-9
<u>Southern Regions</u>						
Six East (6E)	3,160	3,215	3,271	3,198	3,167	0
Upper MN Valley (6W)	808	776	740	725	716	-11
Central MN (7W)	13,120	13,250	13,416	13,546	13,178	0
Southwest (8)	2,333	2,345	2,387	2,267	2,170	-7
Nine (9)	6,199	6,262	6,284	6,209	6,100	-2
Southeastern MN (10)	14,568	14,702	14,754	14,575	14,470	-1
Total Nonmetro	\$65,826	\$66,643	\$67,109	\$65,564	\$64,644	-2%
<u>Metro Region</u>						
Hennepin County	68,758	68,517	70,119	70,096	67,813	-1
Ramsey County	33,397	33,953	34,660	33,892	32,911	-1
Remaining Metro	44,077	44,508	45,258	45,615	45,816	4
Total Metro	\$146,232	\$146,978	\$150,037	\$149,603	\$146,541	0%

Statewide Property Tax Refund for Renters, 2016-2020 (filed 2017 to 2021)



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

2021 Targeting Refunds: \$2.7 million

For returns filed in 2021 (for property taxes payable in 2021), 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 27,909 returns filed in 2021 for a total amount of \$2,694,656. The average refund per return was \$97. (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.

Five counties reported fewer than four claims for targeted refunds filed in 2021 by senior/disabled claimants or by nonsenior/nondisabled claimants (Koochiching, Lake of the Woods, Red Lake, Stevens, and Traverse). 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 is less than 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. 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 2023 Legislature enacted a temporary increase in the credit for refunds based on the change in tax from 2022 to 2023. Under that change, the refund was available to taxpayers whose property taxes increased by at least 6 percent, and the maximum refund was increased to \$2,500. The temporary increase is not reflected in the data in this report.

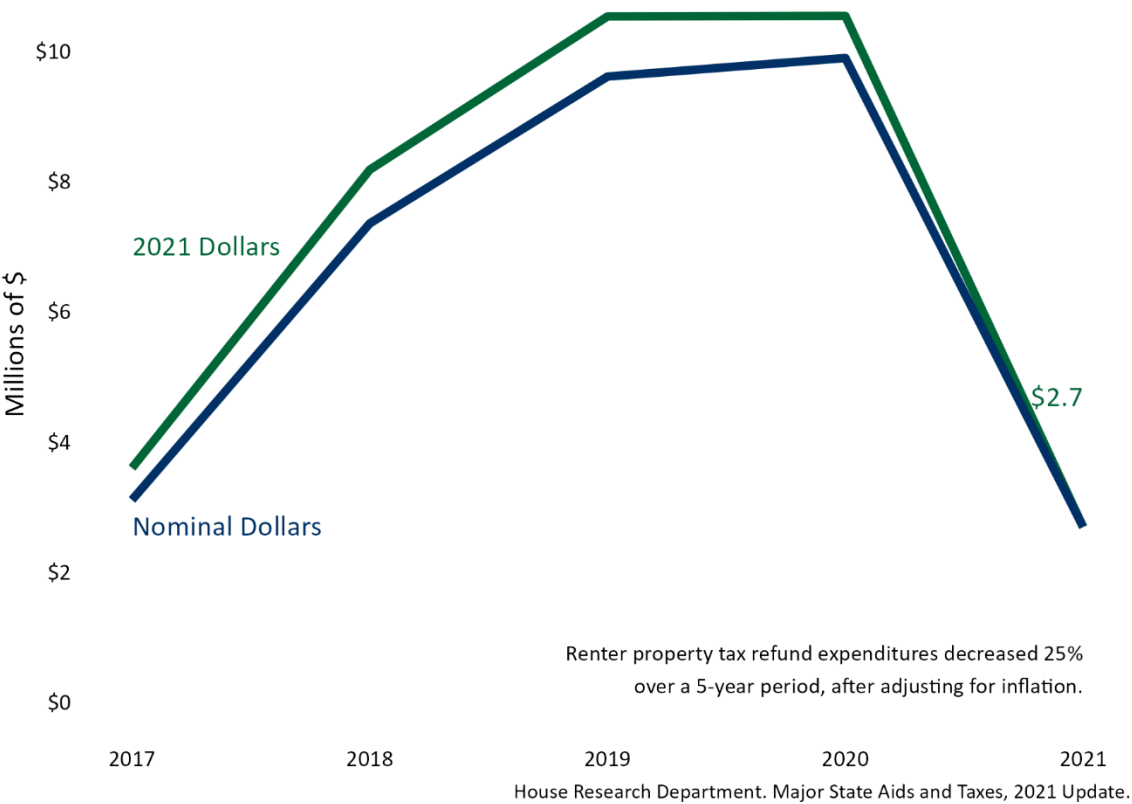
The Past Five Years of Targeting Refunds

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 2017 through 2021 Nominal dollars, in thousands

	Filed 2017	Filed 2018	Filed 2019	Filed 2020	Filed 2021
State	\$3,110	\$7,357	\$9,611	\$9,896	\$2,695
<u>Northern Regions</u>					
Northwest (1)	61	43	27	27	23
Headwaters (2)	27	15	34	32	20
Arrowhead (3)	394	285	645	526	222
West Central (4)	120	168	233	253	76
Five (5)	80	105	286	212	106
East Central (7E)	181	183	376	342	325
<u>Southern Regions</u>					
Six East (6E)	79	97	204	567	186
Upper MN Valley (6W)	9	19	24	41	42
Central MN (7W)	176	178	505	1,084	176
Southwest (8)	106	84	180	224	70
Nine (9)	128	312	325	266	307
Southeastern MN (10)	339	442	1,297	989	374
Total Nonmetro	\$1,701	\$1,932	\$4,138	\$4,564	\$1,926
<u>Metro Region</u>					
Hennepin County	521	1,966	2,193	1,132	243
Ramsey County	449	1,774	1,626	2,769	201
Remaining Metro	438	1,685	1,654	1,431	325
Total Metro	\$1,409	\$5,425	\$5,473	\$5,332	\$768

Targeting Refunds, Filed 2017-2021



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 2021 Aid Amount: \$36.6 million

For property taxes payable in 2021, the amount of the credit was \$36.6 million.

Market Value Agricultural Credit: Payable 2021

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$2,523	6.9%
	Headwaters (2)	1,173	3.2
	Arrowhead (3)	1,104	3.0
	West Central (4)	3,947	10.8
	Five (5)	2,936	8.0
	East Central (7E)	2,243	6.1
Southern Regions	Six East (6E)	2,216	6.1
	Upper MN Valley (6W)	1,641	4.5
	Central MN (7W)	3,232	8.8
	Southwest (8)	3,567	9.8
	Nine (9)	3,963	10.8
	Southeastern MN (10)	6,156	16.8
Total Nonmetro		\$34,700	94.9%
Metro Region	Hennepin County	232	0.6
	Ramsey County	0	0.0
	Remaining Metro	1,634	4.5
Total Metro		\$1,866	5.1%
State Total		\$36,567	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 2021 Credit Amount: \$62.7 million

For taxes payable in 2021, the amount of the credit was \$62.7 million.

School Building Bond Agricultural Credit: Payable 2021

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$3,513	5.6%
	Headwaters (2)	1,021	1.6
	Arrowhead (3)	1,692	2.7
	West Central (4)	7,549	12.0
	Five (5)	2,290	3.7
	East Central (7E)	1,730	2.8
Southern Regions	Six East (6E)	3,225	5.1
	Upper MN Valley (6W)	5,458	8.7
	Central MN (7W)	3,204	5.1
	Southwest (8)	8,412	13.4
	Nine (9)	8,974	14.3
	Southeastern MN (10)	12,117	19.3
Total Nonmetro		\$59,186	94.4%
Metro Region	Hennepin County	351	0.6
	Ramsey County	27	0.0
	Remaining Metro	3,108	5.0
Total Metro		\$3,486	5.6%
State Total		\$62,671	100.0%

Miscellaneous Property Tax Credits

Payable 2021 Miscellaneous Credits: \$34.0 million

The total of the miscellaneous property tax credits for 2021 is \$34.0 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	\$16,617,759
Disparity Reduction Credit	14,114,594
Power Line Credit	685,479
Agricultural Preserves/County Conservation Credits	654,298
State Disaster Credit	6,840
Local Option Disaster Credit	1,930,527
Total	\$34,009,497

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. Most of the credit, around 85 percent, is paid from proceeds of the taconite production tax, while the remaining amount 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 2024, the legislature increased the maximum taconite homestead credit to \$515 for all eligible homesteads. This change is not effective until property taxes payable in 2025 and will be reflected in the data included in future versions of the report.

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 2021

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$2,189	6.4%
	Headwaters (2)	10	0.0
	Arrowhead (3)	15,443	45.4
	West Central (4)	11,827	34.8
	Five (5)	1,204	3.5
	East Central (7E)	10	0.0
Southern Regions	Six East (6E)	25	0.1
	Upper MN Valley (6W)	203	0.6
	Central MN (7W)	122	0.4
	Southwest (8)	121	0.4
	Nine (9)	267	0.8
	Southeastern MN (10)	133	0.4
Total Nonmetro		\$31,554	92.8%
Metro Region	Hennepin County	1,533	4.5
	Ramsey County	523	1.5
	Remaining Metro	399	1.2
Total Metro		\$2,455	7.2%
State Total		\$34,009	100.0%

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

County	Taconite Credit
Aitkin	\$947,560
Cook	548,612
Crow Wing	1,198,552
Itasca	4,364,338
Koochiching	5,020
Lake	1,171,878
St. Louis	8,381,799
Total	\$16,617,759

Property Values and Levies

Statewide Property Value: Assessment Year 2020, Taxes Payable in 2021

Market Value:	\$802.2 billion
Market Value Exclusion:	\$25.4 billion
Taxable Market Value:	\$776.8 billion
Net Tax Capacity:	\$8.77 billion
Referendum Market Value:	\$638.6 billion

The total market value for taxes payable in 2021 is \$802.2 billion; homestead market value exclusions of \$25.4 billion reduced this to \$776.8 billion of taxable market value.

Class rates are applied to the taxable market value, resulting in total net tax capacity of \$8.77 billion. Net tax capacity is the primary tax base used for most levies.

Referendum market value is the total market value excluding the value of agricultural and seasonal-recreational property, and is the tax base used almost exclusively for school district referendum levies. The total referendum market value for taxes payable in 2021 is \$638.6 billion. The table shows the distribution of the two tax bases.

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
State	\$8,772,174,978	100%	\$638,640,419,807	100%
Northern Region				
Northwest (1)	146,134,944	1.7	5,739,015,114	0.9
Headwaters (2)	110,974,156	1.3	6,373,661,729	1.0
Arrowhead (3)	405,253,860	4.6	27,481,411,678	4.3
West Central (4)	410,804,220	4.7	20,694,706,552	3.2
Five (5)	279,631,553	3.2	14,915,699,834	2.3
East Central (7E)	176,861,910	2.0	14,298,308,184	2.2
Southern Regions				
Six East (6E)	175,207,047	2.0	9,165,374,222	1.4
Upper MN Valley (6W)	107,155,824	1.2	2,477,976,350	0.4
Central MN (7W)	521,874,219	5.9	41,378,136,056	6.5
Southwest (8)	275,279,386	3.1	7,733,691,530	1.2
Nine (9)	365,904,986	4.2	18,693,692,476	2.9

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
Southeastern MN (10)	704,283,614	8.0	48,005,800,582	7.5
Total Nonmetro	\$3,679,365,720	41.9%	\$216,957,474,307	34.0%
Metro Region				
Hennepin County	2,451,597,817	27.9	196,206,672,333	30.7
Ramsey County	730,575,362	8.3	60,583,090,224	9.5
Remaining Metro	1,910,636,079	21.8	164,893,182,942	25.8
Total Metro	\$5,092,809,258	58.1%	\$421,682,945,500	66.0%

Payable 2021 Net Property Tax Levy Before Credits: \$11.4 billion

The payable 2021 net property tax levy made by each type of taxing district is shown in the following table (excluding special assessments). The table includes \$9,327 million of local net tax capacity levy, \$1,262 million of referendum market value levy, and \$777 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 \$1,236 million, nearly all of the \$1,262 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 2021 Net Property Tax Levy (in millions)	Percent
County	\$3,481	30.6%
City/Town	\$3,061	26.9%
City	2,785	
Town	251	
School District	\$3,361	29.6%
Miscellaneous Districts	\$685	6.0%
Special Taxing Districts	420	
Tax Increment Financing	262	
Power Line	2	
State	\$777	6.8%
Total, all districts	\$11,365	100.0%

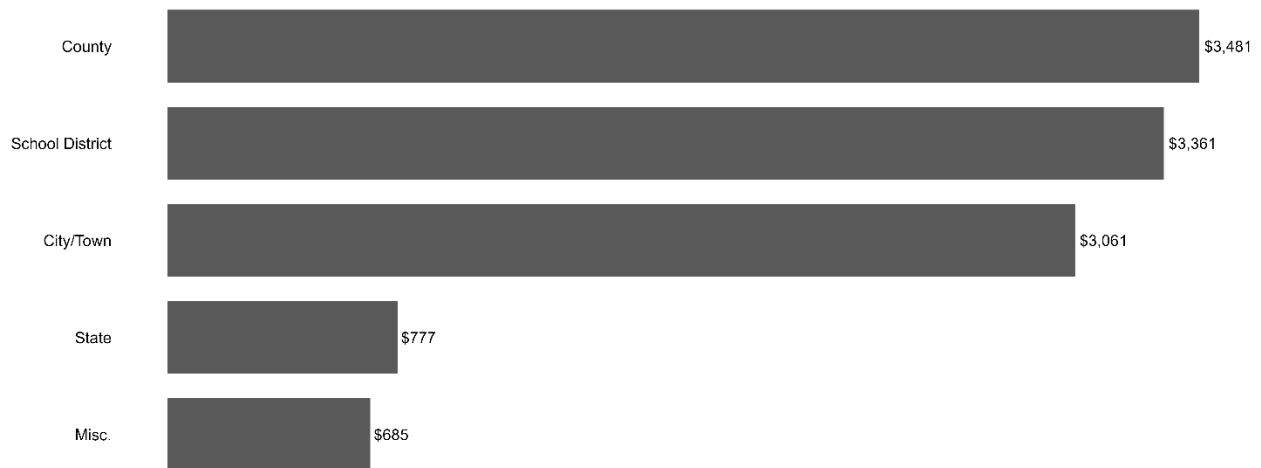
Note that in the statewide, region, and county tables (section 2 and online), the fiscal disparities levy is included in the “Miscellaneous District Levy,” while in the table above the fiscal disparities levy is included in the totals for the various jurisdiction types statewide.

Payable 2021 Net Property Taxes Payable: \$11.2 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 \$11.2 billion, which is the total levy of \$11.4 billion (shown in the chart below) minus property tax credits of \$133 million.

Payable 2021 Property Tax Levies before Credits by Type of Taxing District

Statewide \$11,365 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 2019 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 2019 ranged from 5.35 percent to 9.85 percent. In 2019, 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 \$2,541.

Tax Amount and Reporting (tax year 2020 returns filed in 2021)

2020 Individual Income Tax: \$12.0 billion

\$11.4 billion from residents

The total amount of 2020 net individual income tax revenues (after refundable credits) is \$12.02 billion; \$663.2 million came from returns filed by nonresident taxpayers and \$206.3 million from Minnesota resident returns for which the Department of Revenue was unable to identify the taxpayer's county of residence. The \$206 million from Minnesota resident returns is apportioned to counties based on each county's share of tax, but the \$663.2 million paid by nonresidents is not apportioned to counties. The net amount paid by Minnesota residents is \$11.36 billion.

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

Recent Law Changes

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 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 expanded the working family credit and reduced the second-tier rate from 7.05 percent to 6.80 percent.

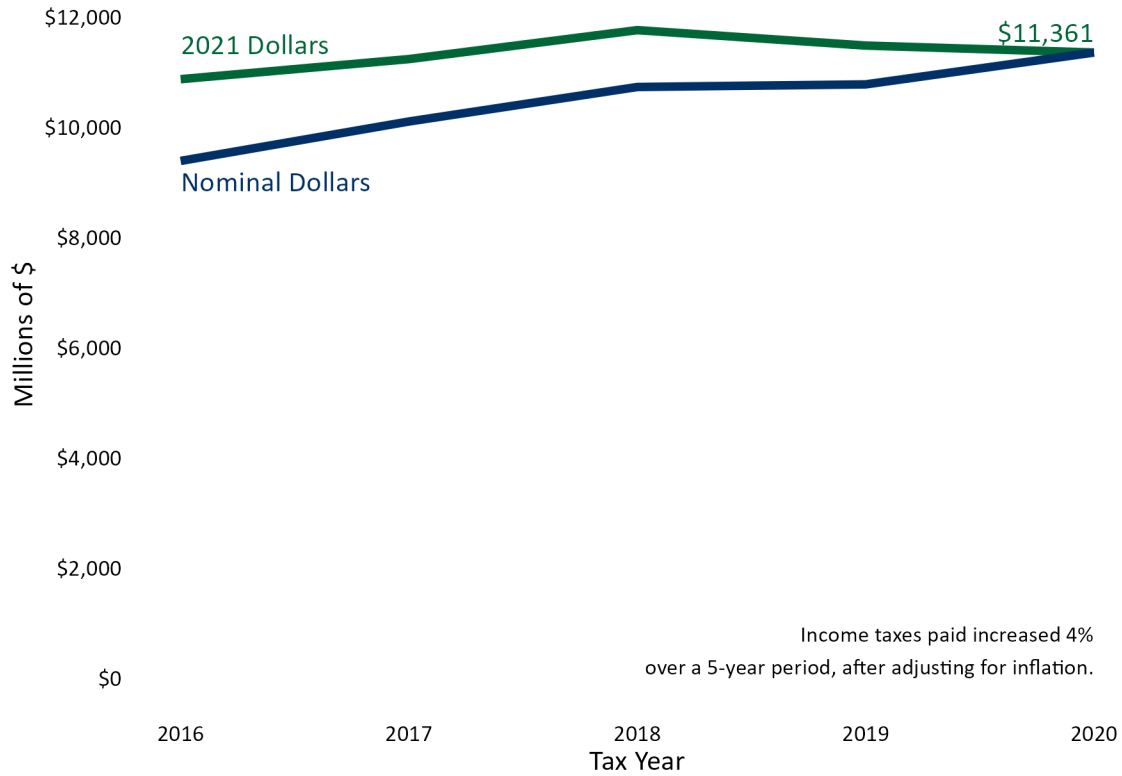
The 2023 Legislature significantly restructured the state's largest refundable credit, the working family credit. That credit was partially converted into a refundable child credit, which is phased out jointly with a smaller working family credit based on earned income. Those changes are effective for tax year 2023 and are not reflected in this report.

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 2016 to 2020 (filed 2017 to 2021) Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$9,393,208	\$10,108,769	\$10,735,033	\$10,782,056	\$11,360,671	28%
<u>Northern Regions</u>						
Northwest (1)	103,804	119,947	147,854	122,379	119,946	16
Headwaters (2)	67,953	71,399	78,090	75,950	84,323	24
Arrowhead (3)	333,187	352,749	384,990	379,065	397,051	19
West Central (4)	258,426	268,558	286,243	300,005	320,785	24
Five (5)	155,648	163,118	179,554	182,766	202,165	30
East Central (7E)	175,402	187,628	201,644	205,219	225,316	28
<u>Southern Regions</u>						
Six East (6E)	134,025	140,586	156,805	157,638	162,635	21
Upper MN Valley (6W)	43,694	48,580	52,633	47,594	50,638	16
Central MN (7W)	584,773	612,215	659,829	679,116	756,192	29
Southwest (8)	114,285	119,694	132,482	126,481	137,126	20
Nine (9)	273,368	277,703	300,019	295,125	323,898	18
Southeastern MN (10)	687,724	723,019	793,128	775,499	823,070	20
Total Nonmetro	\$2,932,288	\$3,085,195	\$3,373,272	\$3,346,838	\$3,603,145	23%
<u>Metro Region</u>						
Hennepin County	3,164,711	3,470,276	3,587,269	3,625,935	3,746,430	18
Ramsey County	813,260	868,987	919,885	923,813	959,416	18
Remaining Metro	2,482,949	2,684,311	2,854,608	2,885,470	3,051,679	23
Total Metro	\$6,460,920	\$7,023,574	\$7,361,762	\$7,435,218	\$7,757,525	20%

Statewide Income Tax, Residents Only, Tax Years 2016-2020

House Research Department. Major State Aids and Taxes, 2021 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 certain 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 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 2021 Sales/Use Tax: \$7.425 billion

\$5.915 billion from residents and in-state sellers

A total of \$7.425 billion in gross state sales/use taxes was collected during calendar year 2021. It was the first year that capital equipment refunds ¹⁰ fell to \$0, making this the total amount collected in 2021. Of the \$7.425 billion in total sales taxes, about \$1.51 billion was collected from returns filed by out-of-state vendors, resulting in \$5.915 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.

¹⁰ The capital equipment refund became an upfront exemption July 1, 2015, but businesses had three-and-one-half years to claim the refunds. Calendar year 2021 was the first year since this change that no business claimed a refund.

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

	Allocated to Minnesota		Not Allocated to Minnesota		
Year	Amount	Percent	Amount	Percent	Total
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
2019	5,278,965	80.5	1,279,736	19.5	6,558,702
2020	5,114,601	79.7	1,301,509	20.3	6,416,109
2021	5,915,265	79.7	1,509,402	20.3	7,424,667

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 20 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.¹¹ 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.

¹¹ 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, www.house.mn.gov/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);
- exempting construction materials for construction of fire and police stations, including their related facilities, owned by a local government (2021); and
- exempting firearm storage units (2023).

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 has greatly increased the percent of total sales tax remittances that are not allocated to a state, county, or region.

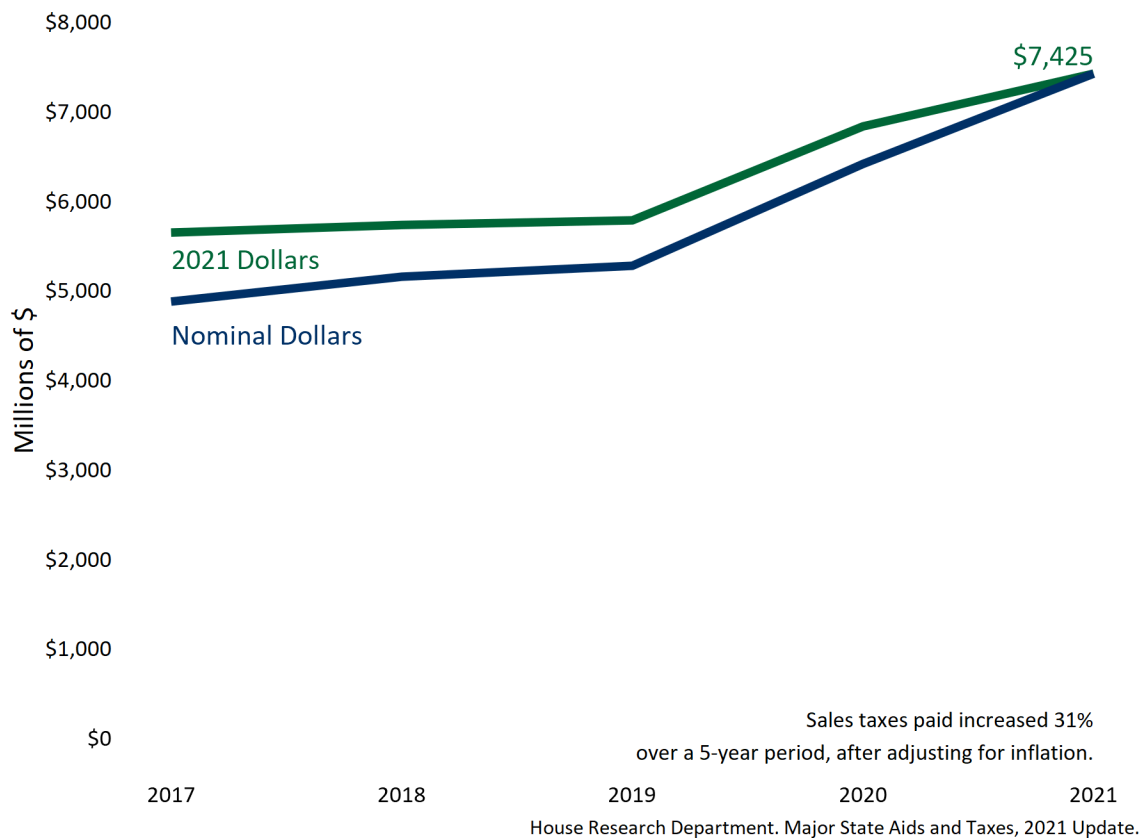
The Past Five Years of Sales/Use Tax

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, Calendar Years 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Tax
State	\$4,879,360	\$5,156,859	\$5,278,965	\$5,114,600	\$5,915,265	52%
<u>Northern Regions</u>						
Northwest (1)	42,556	45,041	46,220	45,583	50,481	19
Headwaters (2)	62,592	66,353	69,396	71,408	82,524	32
Arrowhead (3)	262,246	270,582	268,773	260,152	303,724	16
West Central (4)	164,183	168,193	172,762	176,038	195,501	19
Five (5)	124,295	129,457	135,264	144,383	170,553	37
East Central (7E)	79,486	82,983	86,607	90,936	103,917	31
<u>Southern Regions</u>						
Six East (6E)	83,366	86,984	88,073	90,021	101,818	22
Upper MN Valley (6W)	20,076	20,246	20,538	20,895	24,746	23
Central MN (7W)	305,796	324,314	338,234	348,709	400,730	31
Southwest (8)	69,669	72,089	74,498	72,922	83,083	19
Nine (9)	144,293	150,797	153,151	151,606	176,523	22
Southeastern MN (10)	341,536	356,178	363,432	358,372	401,784	18
Total Nonmetro	\$1,700,093	\$1,773,216	\$1,816,948	\$1,831,026	\$2,095,383	23%
<u>Metro Region</u>						
Hennepin County	1,708,230	1,848,761	1,860,131	1,768,911	2,086,196	22
Ramsey County	522,725	539,602	568,038	504,796	566,994	8
Remaining Metro	948,312	995,280	1,033,848	1,009,867	1,166,691	23
Total Metro	\$3,179,267	\$3,383,643	\$3,462,017	\$3,283,574	\$3,819,881	20%

Statewide Sales/Use Tax, 2017-2021



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.)¹² Although the general sales tax is imposed on the long-term 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.¹³

In 2021, the rate of the motor vehicle sales tax was 6.5 percent, which matched 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 was at 6.875 percent.

Additionally in 2021, motor vehicle sales tax revenue was 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. The legislature made rate and allocation changes to the motor vehicle sales tax in 2023, and those changes are described below but not reflected in the revenue calculations in this publication.

General sales tax revenue collected on motor vehicle leases was 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
- 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 2021 Motor Vehicle Sales Tax: \$1.078 billion

The total 2021 motor vehicle sales tax revenue is \$1.078 billion. Of this amount, the motor vehicle sales tax was \$1.004 billion and the general sales tax on motor vehicle leases was \$73.5 million. The Department of Public Safety collects the motor vehicle sales tax. Due to the

¹² The flat tax in lieu is \$150 for certain collector vehicles and fire trucks.

¹³ 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

In 2023, the legislature increased the rate of the motor vehicle sales tax from 6.5 percent to 6.875 percent, which matches the general sales tax rate (including the constitutional amendment increase).

Additionally, the legislature changed the allocation of revenue to be:

- 34.3 percent to the metropolitan area transit account;
- 5.7 percent to the greater Minnesota transit account; and
- 60 percent to the highway user tax distribution fund.

Prior to these changes, the legislature had not made significant changes to the motor vehicle sales tax since 2007. For the general sales tax on motor vehicle leases, the allocation formula was revised in 2017.

This version of the report contains data through 2021. Future versions of the report will contain data related to the 2023 changes.

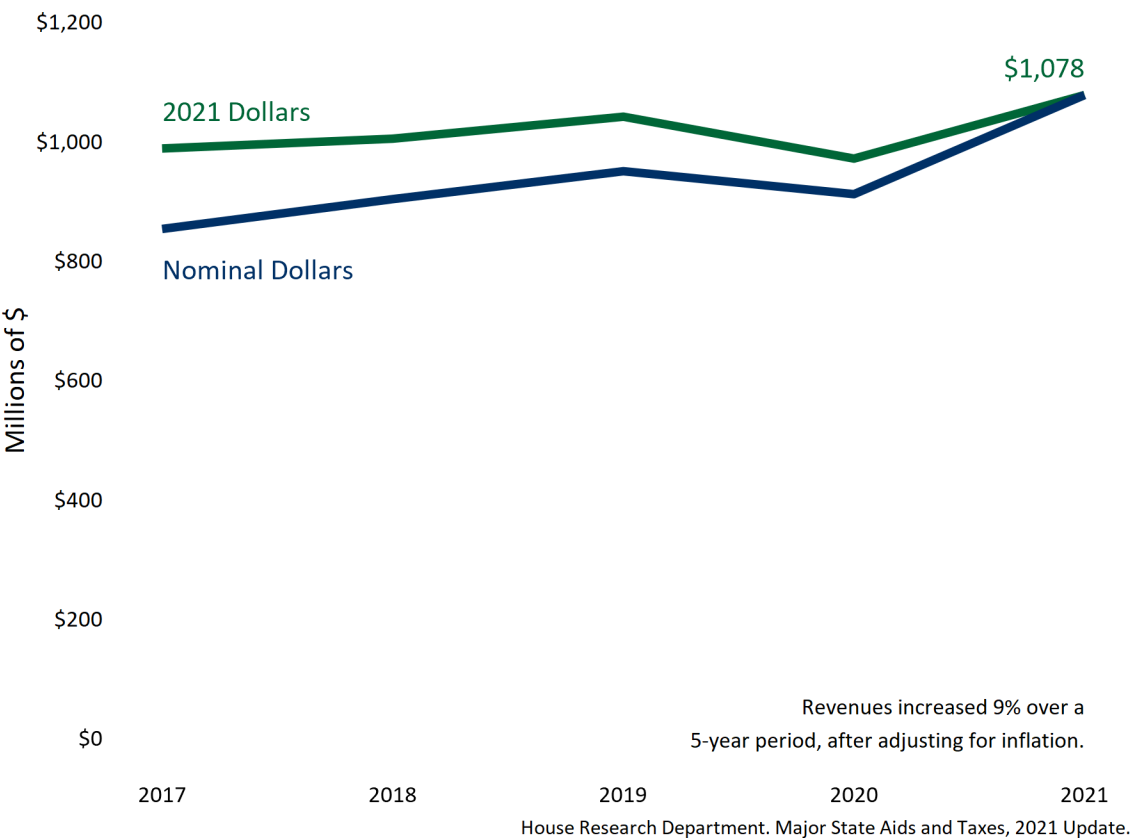
The Past Five Years of the Motor Vehicle Sales Tax

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 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Tax
State	\$853,554	\$903,508	\$950,230	\$911,801	\$1,077,882	26%
<u>Northern Regions</u>						
Northwest (1)	14,898	15,741	16,387	15,573	18,177	22
Headwaters (2)	12,058	12,888	13,587	13,039	15,899	32
Arrowhead (3)	49,832	52,783	57,089	54,700	63,967	28
West Central (4)	36,440	38,535	42,074	40,382	48,117	32
Five (5)	26,719	28,478	31,216	29,991	36,265	36
East Central (7E)	27,448	29,254	29,708	28,795	34,922	27
<u>Southern Regions</u>						
Six East (6E)	19,542	20,615	22,186	21,234	24,966	28
Upper MN Valley (6W)	8,142	8,570	8,898	8,354	9,781	20
Central MN (7W)	66,232	70,465	77,679	75,368	90,123	36
Southwest (8)	20,315	21,402	22,236	21,067	25,211	24
Nine (9)	37,053	39,023	42,147	40,114	47,657	29
Southeastern MN (10)	78,706	83,106	89,254	85,797	100,279	27
Total Nonmetro	\$397,384	\$420,861	\$452,460	\$434,415	\$515,365	30%
<u>Metro Region</u>						
Hennepin County	178,689	188,122	217,587	209,720	233,922	31
Ramsey County	72,334	76,799	83,697	80,620	87,438	21
Remaining Metro	205,147	217,726	196,485	187,047	241,158	18
Total Metro	\$456,170	\$482,647	\$497,770	\$477,387	\$562,518	23%

Statewide Motor Vehicle Sales Tax, 2017-2021



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. In 2021, the tax rate started at 1.25 percent of the vehicle's original value. The rate decreased with vehicle age, and for older vehicles it shifted to a minimum \$25 flat tax. The legislature made significant changes to the motor vehicle registration tax in 2023, and those changes are described below but not reflected in the revenue calculations in this publication.

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 2021 Motor Vehicle Registration Tax: \$851.9 million

The total motor vehicle registration tax revenue for calendar year 2021 was \$851.9 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 a general 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 2023 Legislature increased the base tax rate from 1.285 percent to 1.575 percent of the manufacturer's suggested retail price of the vehicle (with a different rate for older vehicles, where destination charge is used in the calculation). The legislature also revised the factors used in the schedule of depreciation. Lastly, the flat tax of \$25 that applies to vehicles 11 years old or older was decreased to \$20.

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

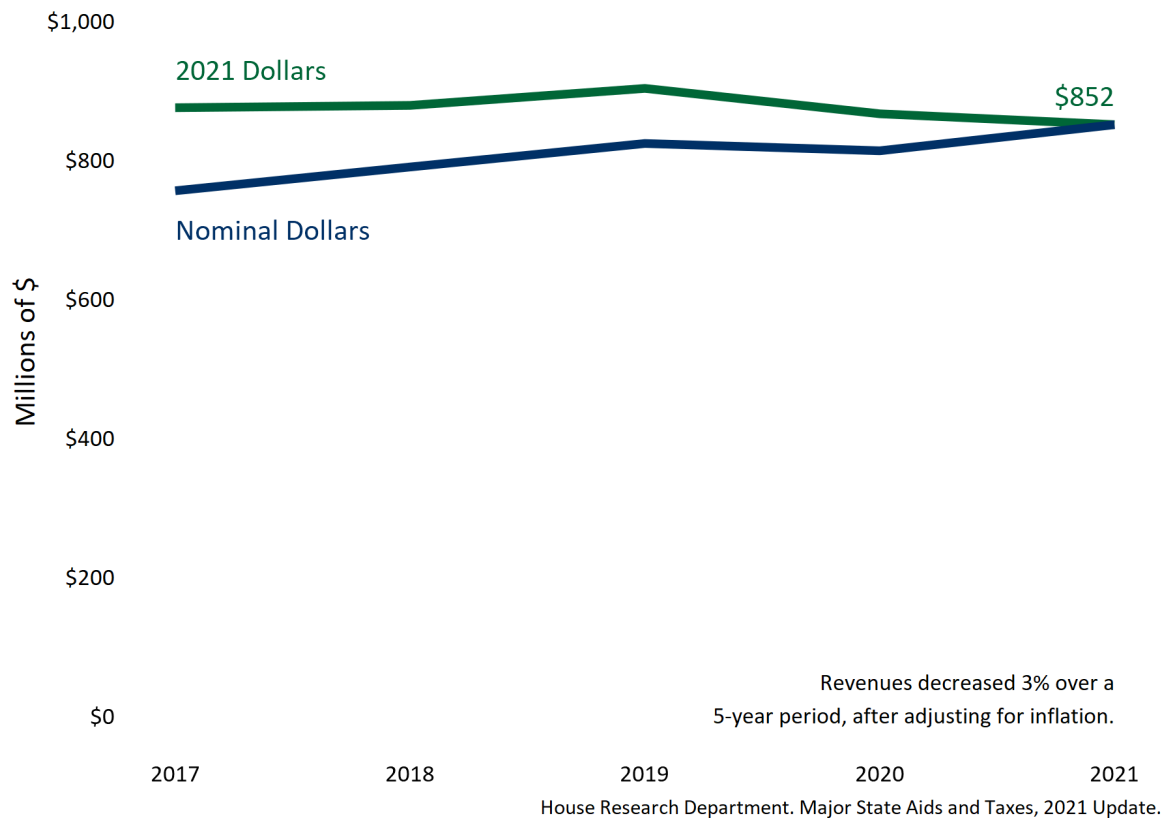
This version of the report contains data through 2021. Future versions of the report will contain data related to the 2023 changes.

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 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Tax
State	\$756,817	\$791,022	\$824,834	\$814,347	\$851,930	13%
<u>Northern Regions</u>						
Northwest (1)	12,725	13,203	13,247	12,897	13,341	5
Headwaters (2)	9,892	10,384	10,525	10,391	11,318	14
Arrowhead (3)	42,094	43,898	46,549	45,905	47,460	13
West Central (4)	30,775	32,040	34,186	33,684	35,993	17
Five (5)	21,691	22,723	24,395	24,064	25,964	20
East Central (7E)	22,633	23,670	22,953	22,949	24,920	10
<u>Southern Regions</u>						
Six East (6E)	16,671	17,284	18,108	17,812	18,529	11
Upper MN Valley (6W)	7,039	7,279	7,259	6,941	7,186	2
Central MN (7W)	57,935	60,848	66,363	66,387	70,854	22
Southwest (8)	17,384	18,026	17,935	17,341	18,473	6
Nine (9)	31,605	32,784	34,737	33,967	36,014	14
Southeastern MN (10)	67,627	70,531	74,163	73,427	76,499	13
Total Nonmetro	\$338,072	\$352,669	\$370,419	\$365,764	\$386,552	14%
<u>Metro Region</u>						
Hennepin County	164,261	171,323	199,436	198,533	195,418	19
Ramsey County	62,484	65,580	71,790	71,402	67,401	8
Remaining Metro	192,000	201,451	183,188	178,648	202,559	5
Total Metro	\$418,745	\$438,353	\$454,414	\$448,583	\$465,379	11%

Statewide Motor Vehicle Registration Tax, 2017-2021

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. Different rates apply based on the type of fuel, largely in proportion to energy content. In 2021, the rate on highway motor fuels including gasoline and diesel¹⁴ was 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 and is largely directed to aeronautics purposes). The legislature made changes to the motor fuels tax in 2023, and those changes are described below but not reflected in the revenue calculations in this publication.

Tax Amount and Reporting

Calendar Year 2021 Motor Fuels Tax: \$882.8 million

The total net amount after refunds of the motor fuels tax for calendar year 2021 was \$882.8 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 2023 transportation finance act established indexing on the motor fuels tax, which requires an annual adjustment to each tax rate that is based on increases in the Minnesota Highway Construction Cost Index. An adjusted rate goes into effect each January 1st. Starting in 2025, the annual percentage change in tax rate is capped at 3 percent. As a result of indexing, the tax rate beginning January 1, 2025, for gasoline is anticipated to be 31.8 cents per gallon (which reflects an increase of 3.3 cents per gallon). Tax rates for other types of motor fuel are set to increase proportionally.

¹⁴ Alternative fuels, such as liquefied natural gas and high-alcohol gasoline, are taxed at rates proportional to relative energy content.

Prior to this, the 2008 Legislature provided for a phased-in increase in the motor fuels tax. The tax increased from 20 to 28.5 cents per gallon, phasing in over 2008 to 2012. (The rate includes a 3.5 cents per gallon surcharge tied to trunk highway bonding.)

This version of the report contains data through 2021. Future versions of the report will contain data related to the 2023 changes.

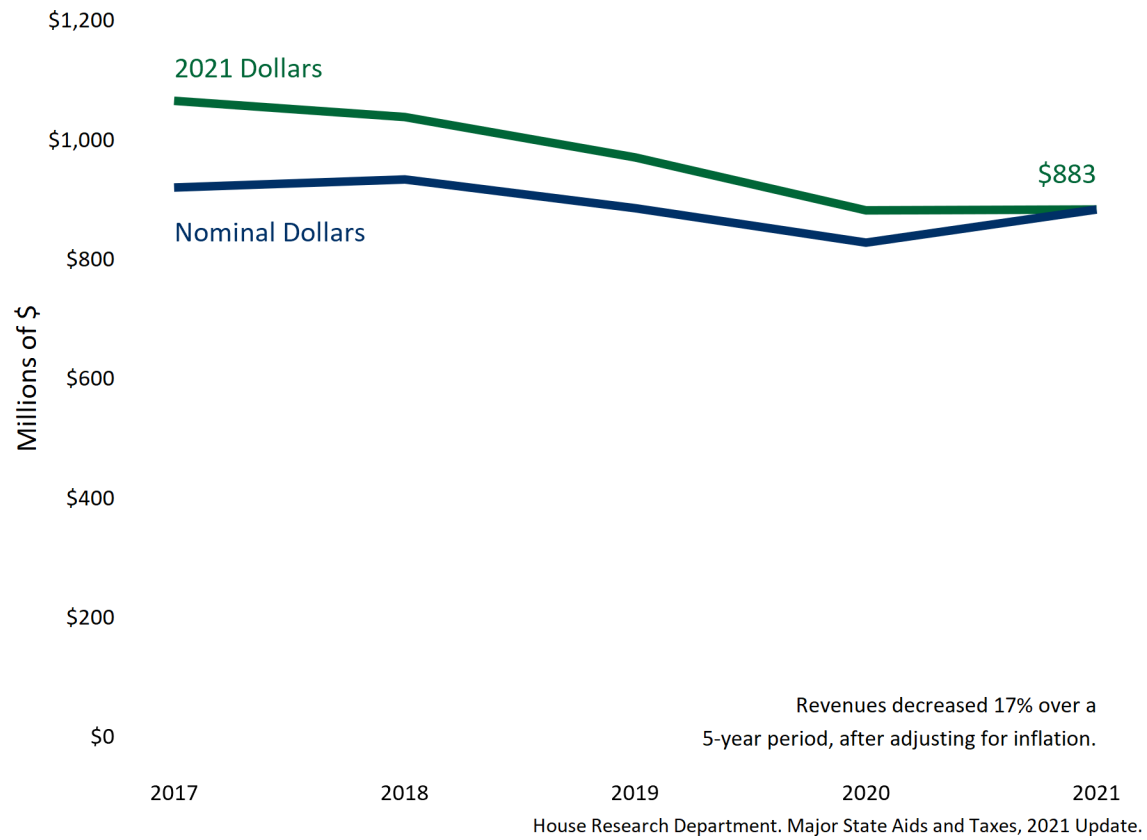
The Past Five Years of the Motor Fuels Tax

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 2017 to 2021

Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Tax
State	\$919,574	\$933,114	\$884,878	\$827,266	\$882,779	-4%
<u>Northern Regions</u>						
Northwest (1)	17,572	17,640	16,614	16,608	17,406	-1
Headwaters (2)	14,272	14,634	13,856	13,636	14,738	3
Arrowhead (3)	59,101	60,129	56,784	54,684	58,631	-1
West Central (4)	50,297	51,268	48,653	46,501	49,728	-1
Five (5)	34,890	35,268	34,329	33,643	36,224	4
East Central (7E)	37,066	38,057	35,903	34,736	37,354	1
<u>Southern Regions</u>						
Six East (6E)	21,015	21,342	20,368	19,867	20,995	0
Upper MN Valley (6W)	9,613	9,706	9,179	9,207	9,683	1
Central MN (7W)	76,640	78,368	74,035	70,070	75,295	-2
Southwest (8)	26,682	27,089	25,757	25,550	26,743	0
Nine (9)	41,290	42,079	40,273	38,903	41,187	0
Southeastern MN (10)	92,230	94,453	89,562	84,915	90,853	-1
Total Nonmetro	\$480,670	\$490,032	\$465,313	\$448,320	\$478,839	0%
<u>Metro Region</u>						
Hennepin County	178,258	179,666	171,032	152,302	161,630	-9
Ramsey County	72,750	72,903	68,210	61,113	64,658	-11
Remaining Metro	187,896	190,513	180,322	165,532	177,652	-5
Total Metro	\$438,904	\$443,082	\$419,565	\$378,947	\$403,940	-8%

Statewide Motor Fuels Tax, 2017-2021

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. Corporations apportion their income based on the share of the corporation's sales that were in Minnesota. 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 2021, the minimum fee ranged from \$220 to \$10,480 depending upon the corporation's sales, property, and payroll in Minnesota. The fee is indexed annually for inflation.

Tax Amount and Reporting

2021 Corporate Income Tax: \$1.73 billion

The amount presented in this report was tabulated from all Minnesota corporate income tax returns filed during the calendar year ending December 31, 2021. (Most returns filed in 2021 were for calendar year 2020, but the total also includes some calendar year 2019 returns.) The total statewide amount of \$1,737,708,408 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 gross domestic product was used as an indicator of the source or location of the corporate tax.

In versions of this report covering 2016 and earlier, state total of corporate tax was allocated using the Census Bureau's 2012 Survey of Business Owners, with the 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, beginning in 2017, the report's 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 Returns¹⁵

Returns Filed in 2021	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
Unitary Returns	30,892	51.5%	\$1,529,855,011	88.0%	\$49,523
Nonunitary Returns	29,148	48.5	207,853,397	12.0	7,131
Total	60,040	100.0%	\$1,737,708,408	100.0%	\$28,943

By Type of Return

Returns Filed in 2021	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
100% Minnesota Corporations					
Regular Tax	6,066	10.1%	\$56,366,598	3.2%	\$9,292
Minimum Tax	2,244	3.7	2,307,405	0.1	1,028
No Tax	4,860	8.1	0	0.0	0
Total	13,170	21.9%	\$58,674,003	3.4%	\$4,455
Multistate Corporations					
Regular Tax	18,453	30.7%	\$1,667,492,963	96.0%	\$90,364
Minimum Tax	4,991	8.3	11,541,442	0.7	2,312
No Tax	23,426	39.0	0	0.0	0
Total	46,870	78.1%	\$1,679,034,405	96.6%	\$35,823
All corporations					
Regular Tax	24,519	40.8%	\$1,723,859,561	99.2%	\$70,307
Minimum Tax	7,235	12.1	13,848,847	0.8	1,914
No Tax	28,286	47.1	0	0.0	0
Total	60,040	100.0%	\$1,737,708,408	100.0%	\$28,943

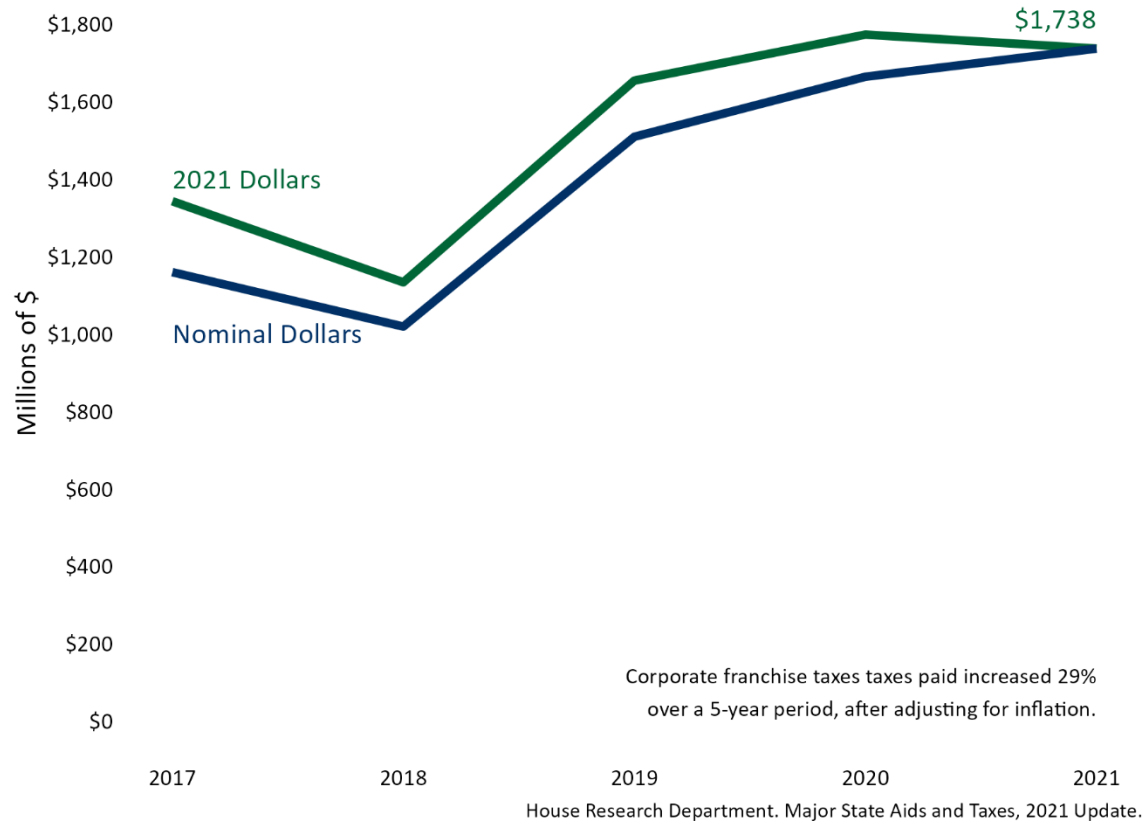
¹⁵ Related corporations, such as subsidiary, brother-sister, and parent corporations, must file on a unitary basis. For these corporations, the denominator of the corporate franchise tax apportionment formula includes the sales of all the corporations in the unitary group. The numerator is the sales 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 2017 to 2021 Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Tax
State	\$1,160,325	\$1,019,892	\$1,510,016	\$1,655,049	\$1,737,708	50%
<u>Northern Regions</u>						
Northwest (1)	17,174	14,602	21,938	25,473	28,976	69
Headwaters (2)	10,061	8,552	13,139	15,324	16,131	60
Arrowhead (3)	52,804	44,101	65,340	71,835	73,087	38
West Central (4)	32,064	27,202	39,898	45,776	48,005	50
Five (5)	20,768	17,932	26,222	29,927	30,716	48
East Central (7E)	14,997	12,952	19,580	22,781	22,625	51
<u>Southern Regions</u>						
Six East (6E)	19,446	16,754	24,443	26,947	27,392	41
Upper MN Valley (6W)	7,216	5,839	8,493	9,700	10,461	45
Central MN (7W)	60,268	52,516	77,666	89,442	90,766	51
Southwest (8)	24,833	21,927	32,304	32,970	33,660	36
Nine (9)	38,366	32,652	47,437	51,758	53,123	38
Southeastern MN (10)	89,738	77,851	115,256	129,016	131,305	46
Total Nonmetro	\$387,736	\$332,879	\$491,716	\$550,949	\$566,246	46%
<u>Metro Region</u>						
Hennepin County	433,698	379,767	565,098	624,037	667,379	54
Ramsey County	137,845	117,237	172,890	189,939	193,557	40
Remaining Metro	201,046	190,009	280,312	300,124	310,526	54
Total Metro	\$772,589	\$687,013	\$1,018,300	\$1,114,100	\$1,171,463	52%

Statewide Corporate Franchise Tax, 2017-2021

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. About 95 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 was 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).¹⁶ This annual inflation adjustment continued until 2018.

Tax Amount and Reporting

Payable Year 2021 State General Levy: \$776.8 million

The total state general levy for taxes payable in 2021 was \$776.8 million.

For taxes payable in 2021, the state tax rate was 35.978 percent for commercial-industrial/public utility property and 17.306 percent for seasonal recreational property, which provided revenues of \$735.2 million and \$41.7 million respectively.

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.

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.

¹⁶ 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.

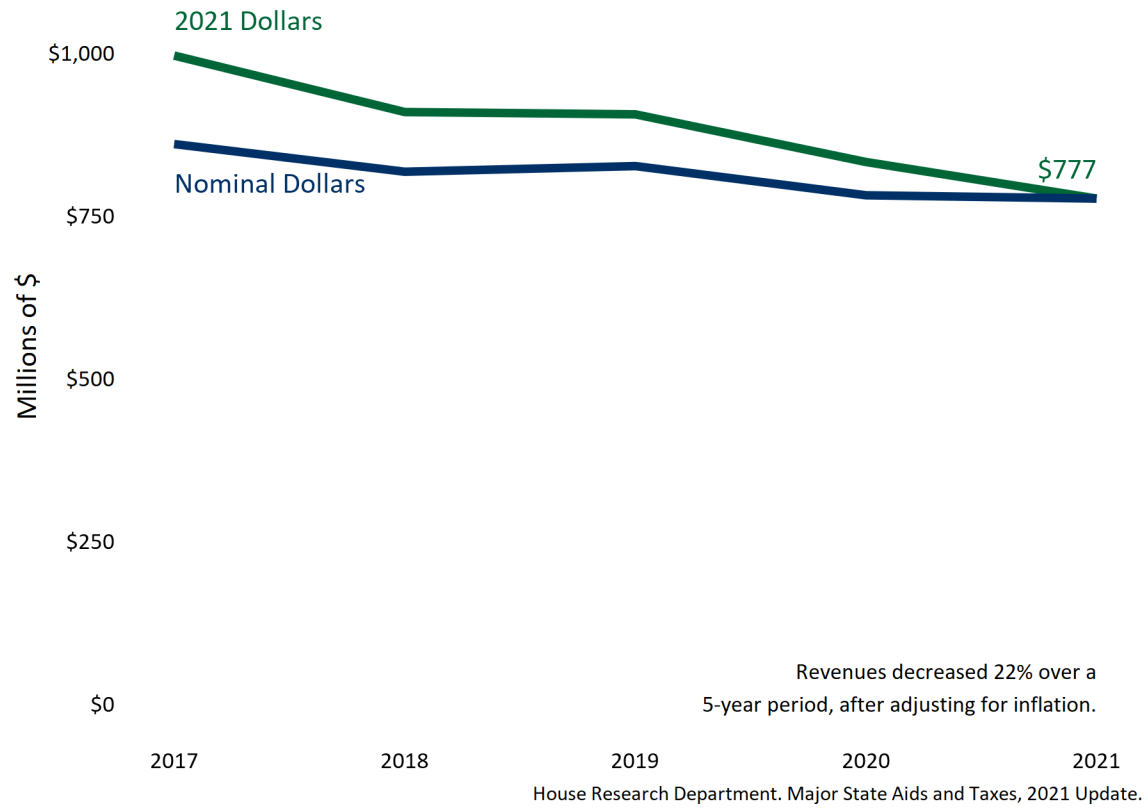
The 2021 Legislature increased the exemption for each commercial-industrial property to the first \$150,000 of value. It also reduced the commercial-industrial portion of the levy by \$20.1 million to prevent shifting of the tax as a result of the increase in the exemption.

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 2017 to 2021
Nominal dollars, in thousands

	2017	2018	2019	2020	2021	5-Yr. Chg. Tax
State	\$860,516	\$818,054	\$826,715	\$781,876	\$776,840	-10%
<u>Northern Regions</u>						
Northwest (1)	13,096	12,481	11,842	10,261	10,389	-21
Headwaters (2)	13,849	13,143	12,992	12,211	11,787	-15
Arrowhead (3)	48,565	44,759	44,569	40,373	41,157	-15
West Central (4)	31,891	29,229	29,225	28,177	28,058	-12
Five (5)	29,580	26,758	27,185	25,357	24,821	-16
East Central (7E)	11,179	9,335	9,322	8,878	8,767	-22
<u>Southern Regions</u>						
Six East (6E)	13,040	11,201	11,509	10,609	10,208	-22
Upper MN Valley (6W)	4,868	4,403	4,196	4,003	3,854	-21
Central MN (7W)	49,218	43,794	44,170	40,770	40,423	-18
Southwest (8)	16,102	14,270	14,385	13,454	13,237	-18
Nine (9)	27,325	23,718	23,980	23,062	22,244	-19
Southeastern MN (10)	61,136	53,856	55,147	51,933	52,685	-14
Total Nonmetro	\$319,850	\$286,947	\$288,522	\$269,087	\$267,630	-16%
<u>Metro Region</u>						
Hennepin County	293,439	293,716	293,649	281,211	276,530	-6
Ramsey County	83,592	83,826	85,342	78,595	78,097	-7
Remaining Metro	163,635	153,565	159,201	152,983	154,583	-6
Total Metro	\$540,666	\$531,107	\$538,193	\$512,789	\$509,210	-6%

Statewide State General Levy, 2017-2021

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 2021 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.

2021 population is used to calculate per capita amounts in the tables throughout the report. The 2021 statewide population is 5,742,036. The metro population is 3,186,349; 55.5 percent of the state total. The nonmetro population is 2,555,687; 44.5 percent of the state total.

The total state aids and credits contained in this report equal about \$20.9 billion, whereas the total of the seven major taxes listed in this report equal \$22.6 billion paid by residents and an additional \$663 million paid by nonresidents (for a total tax amount of \$23.3 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 \$26.2 billion in fiscal year 2020 and \$30.0 billion in fiscal year 2021. 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 2020 Update report (published September 2024). Therefore, the \$23.3 billion total taxes listed in this report (residents and nonresidents) is about 77.7 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

Aids to Local Governments	Amount (\$1,000)	Percent	Amount Per Capita
Education Aid	9,499,136	47.4%	1,654
Human Services Aids			
Medical Assistance	5,783,245	28.9%	1,007
MN Family Investment Program	97,392	0.5%	17
General Assistance	50,977	0.3%	9
MinnesotaCare	35,594	0.2%	6
Social Services	2,450,427	12.2%	427
Misc Human Services Aid	190,896	1.0%	33
Total Human Services and Health Care Aids	8,608,531	43.0%	1,499
Highway Aids			
County Highway Aid	691,249	3.5%	120
City Highway Aid	225,511	1.1%	39
Town Highway Aid	47,491	0.2%	8
Total Highway Aid	964,251	4.8%	168
Other Aids			
Local Government Aid (LGA)	564,398	2.8%	98
Disparity Reduction Aid (DRA)	18,133	0.1%	3
County Program Aid	263,971	1.3%	46
Community Corrections Funding	111,358	0.6%	19
Total Aids	20,029,777	100.0%	3,488
Property Tax Credits			
Ag Market Value Credit	36,567	27.4%	6
School Bond Ag Credit	62,671	47.0%	11
Misc Prop Tax Credits	34,009	25.5%	6
Total Credits	133,247	100.0%	23
Property Tax Refunds			
Homeowner PTR	539,113	71.6%	94
Renter PTR	211,185	28.0%	37
Targeting PTR	2,695	0.4%	0
Total Property Tax Refund	752,992	100.0%	131
Property Tax Data (Payable 2021)			
County Levy	3,284,803	28.9%	572
City/Town Levy	2,828,818	24.9%	493
School NTC Levy	1,880,505	16.5%	327
School RMV Levy	1,235,934	10.9%	215
Miscellaneous District Levy	1,358,468	12.0%	237
State Levy	776,840	6.8%	135
Total Levy	11,365,367	100.0%	1,979
- Property Tax Credits	133,247	-	23
Net Prop Tax Payable	11,232,119	-	1,956
Major State Taxes			
Individual Income Tax (2020 filed 2021)	11,360,671	50.3%	1,979
Sales/Use Tax (Calendar 2021)	5,915,265	26.2%	1,030
Mtr Vehicle Sales tax (Calendar 2021)	1,077,882	4.8%	188
Mtr Vehicle Reg Tax (Calendar 2021)	851,930	3.8%	148
Gas Tax (Calendar 2021)	882,779	3.9%	154
Corp Income Tax (Calendar 2021)	1,737,708	7.7%	303
State Prop Tax (Payable 2021)	776,840	3.4%	135
Total Taxes	22,603,075	100.0%	3,936

Table 2-2: Statewide Summary – Includes Nonresidents

Aids to Local Governments	Amount (\$1,000)	Percent	Amount Per Capita
Education Aid	9,499,136	47.4%	1,654
Human Services Aids			
Medical Assistance	5,783,245	28.9%	1,007
MN Family Investment Program	97,392	0.5%	17
General Assistance	50,977	0.3%	9
MinnesotaCare	35,594	0.2%	6
Social Services	2,450,427	12.2%	427
Misc Human Services Aid	190,896	1.0%	33
Total Human Services and Health Care Aids	8,608,531	43.0%	1,499
Highway Aids			
County Highway Aid	691,249	3.5%	120
City Highway Aid	225,511	1.1%	39
Town Highway Aid	47,491	0.2%	8
Total Highway Aid	964,251	4.8%	168
Other Aids			
Local Government Aid (LGA)	564,398	2.8%	98
Disparity Reduction Aid (DRA)	18,133	0.1%	3
County Program Aid	263,971	1.3%	46
Community Corrections Funding	111,358	0.6%	19
Total Aids	20,029,777	100.0%	3,488
Property Tax Credits			
Ag Market Value Credit	36,567	27.4%	6
School Bond Ag Credit	62,671	47.0%	11
Misc Prop Tax Credits	34,009	25.5%	6
Total Credits	133,247	100.0%	23
Property Tax Refunds			
Homeowner PTR	539,113	71.6%	94
Renter PTR	211,185	28.0%	37
Targeting PTR	2,695	0.4%	0
Total Property Tax Refund	752,992	100.0%	131
Property Tax Data (Payable 2021)			
County Levy	3,284,803	28.9%	572
City/Town Levy	2,828,818	24.9%	493
School NTC Levy	1,880,505	16.5%	327
School RMV Levy	1,235,934	10.9%	215
Miscellaneous District Levy	1,358,468	12.0%	237
State Levy	776,840	6.8%	135
Total Levy	11,365,367	100.0%	1,979
- Property Tax Credits	133,247	-	23
Net Prop Tax Payable	11,232,119	-	1,956
Major State Taxes			
Individual Income Tax (2020 filed 2021)	12,023,885	51.7%	2,094
Sales/Use Tax (Calendar 2021)	7,424,667	31.9%	1,293
Mtr Vehicle Sales tax (Calendar 2021)	1,077,882	4.6%	188
Mtr Vehicle Reg Tax (Calendar 2021)	851,930	3.7%	148
Gas Tax (Calendar 2021)	882,779	3.8%	154
Corp Income Tax (Calendar 2021)	1,737,708	7.5%	303
State Prop Tax (Payable 2021)	776,840	3.3%	135
Total Taxes	23,266,290	100.0%	4,052

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 55.9 percent of the education aid goes to metro counties and 44.1 percent goes to nonmetro counties.

2021 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 \$2.04 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	5,317,141	48.6%	1,669	4,181,995	46.0%	1,636
Human Services Aids						
Medical Assistance	3,275,967	30.0%	1,028	2,507,278	27.6%	981
MN Family Investment Program	57,938	0.5%	18	39,454	0.4%	15
General Assistance	35,181	0.3%	11	15,796	0.2%	6
MinnesotaCare	29,600	0.3%	9	5,987	0.1%	2
Social Services	1,408,153	12.9%	442	1,042,274	11.5%	408
Misc Human Services Aid	124,921	1.1%	39	65,976	0.7%	26
Total Human Services and Health Care Aids	4,931,759	45.1%	1,548	3,676,764	40.4%	1,439
Highway Aids						
County Highway Aid	177,416	1.6%	56	513,833	5.6%	201
City Highway Aid	151,852	1.4%	48	73,659	0.8%	29
Town Highway Aid	1,070	0.0%	0	46,421	0.5%	18
Total Highway Aid	330,338	3.0%	104	633,912	7.0%	248
Other Aids						
Local Government Aid (LGA)	191,998	1.8%	60	372,400	4.1%	146
Disparity Reduction Aid (DRA)	1,365	0.0%	0	16,768	0.2%	7
County Program Aid	117,935	1.1%	37	146,036	1.6%	57
Community Corrections Funding	44,596	0.4%	14	66,761	0.7%	26
Total Aids	10,935,134	100.0%	3,432	9,094,643	100.0%	3,559
Property Tax Credits						
Ag Market Value Credit	1,866	23.9%	1	34,700	27.7%	14
School Bond Ag Credit	3,486	44.6%	1	59,186	47.2%	23
Misc Prop Tax Credits	2,455	31.5%	1	31,554	25.2%	12
Total Credits	7,807	100.0%	2	125,440	100.0%	49
Property Tax Refunds						
Homeowner PTR	345,982	70.1%	109	193,131	74.4%	76
Renter PTR	146,541	29.7%	46	64,644	24.9%	25
Targeting PTR	768	0.2%	0	1,926	0.7%	1
Total Property Tax Refund	493,291	100.0%	155	259,701	100.0%	102
Property Tax Data (Payable 2021)						
County Levy	1,550,727	22.2%	487	1,734,076	39.6%	679
City/Town Levy	1,743,543	25.0%	547	1,085,275	24.8%	425
School NTC Levy	1,123,520	16.1%	353	756,985	17.3%	296
School RMV Levy	838,260	12.0%	263	397,673	9.1%	156
Miscellaneous District Levy	1,222,762	17.5%	384	135,705	3.1%	53
State Levy	509,210	7.3%	160	267,630	6.1%	105
Total Levy	6,988,022	100.0%	2,193	4,377,345	100.0%	1,713
- Property Tax Credits	7,807	-	2	125,440	-	49
Net Prop Tax Payable	6,980,214	-	2,191	4,251,905	-	1,664
Major State Taxes						
Individual Income Tax (2020 filed 2021)	7,757,525	52.8%	2,435	3,603,145	45.5%	1,410
Sales/Use Tax (Calendar 2021)	3,819,881	26.0%	1,199	2,095,383	26.5%	820
Mtr Vehicle Sales tax (Calendar 2021)	562,518	3.8%	177	515,365	6.5%	202
Mtr Vehicle Reg Tax (Calendar 2021)	465,379	3.2%	146	386,552	4.9%	151
Gas Tax (Calendar 2021)	403,940	2.7%	127	478,839	6.1%	187
Corp Income Tax (Calendar 2021)	1,171,463	8.0%	368	566,246	7.2%	222
State Prop Tax (Payable 2021)	509,210	3.5%	160	267,630	3.4%	105
Total Taxes	14,689,915	100.0%	4,610	7,913,160	100.0%	3,096

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	5,317,141	56.0%	4,181,995	44.0%
Human Services Aids				
Medical Assistance	3,275,967	56.6%	2,507,278	43.4%
MN Family Investment Program	57,938	59.5%	39,454	40.5%
General Assistance	35,181	69.0%	15,796	31.0%
MinnesotaCare	29,600	83.2%	5,987	16.8%
Social Services	1,408,153	57.5%	1,042,274	42.5%
Misc Human Services Aid	124,921	65.4%	65,976	34.6%
Total Human Services and Health Care Aids	4,931,759	57.3%	3,676,764	42.7%
Highway Aids				
County Highway Aid	177,416	25.7%	513,833	74.3%
City Highway Aid	151,852	67.3%	73,659	32.7%
Town Highway Aid	1,070	2.3%	46,421	97.7%
Total Highway Aid	330,338	34.3%	633,912	65.7%
Other Aids				
Local Government Aid (LGA)	191,998	34.0%	372,400	66.0%
Disparity Reduction Aid (DRA)	1,365	7.5%	16,768	92.5%
County Program Aid	117,935	44.7%	146,036	55.3%
Community Corrections Funding	44,596	40.0%	66,761	60.0%
Total Aids	10,935,134	54.6%	9,094,643	45.4%
Property Tax Credits				
Ag Market Value Credit	1,866	5.1%	34,700	94.9%
School Bond Ag Credit	3,486	5.6%	59,186	94.4%
Misc Prop Tax Credits	2,455	7.2%	31,554	92.8%
Total Credits	7,807	5.9%	125,440	94.1%
Property Tax Refunds				
Homeowner PTR	345,982	64.2%	193,131	35.8%
Renter PTR	146,541	69.4%	64,644	30.6%
Targeting PTR	768	28.5%	1,926	71.5%
Total Property Tax Refund	493,291	65.5%	259,701	34.5%
Property Tax Data (Payable 2021)				
County Levy	1,550,727	47.2%	1,734,076	52.8%
City/Town Levy	1,743,543	61.6%	1,085,275	38.4%
School NTC Levy	1,123,520	59.7%	756,985	40.3%
School RMV Levy	838,260	67.8%	397,673	32.2%
Miscellaneous District Levy	1,222,762	90.0%	135,705	10.0%
State Levy	509,210	65.5%	267,630	34.5%
Total Levy	6,988,022	61.5%	4,377,345	38.5%
- Property Tax Credits	7,807		125,440	
Net Prop Tax Payable	6,980,214	62.1%	4,251,905	37.9%
Major State Taxes				
Individual Income Tax (2020 filed 2021)	7,757,525	68.3%	3,603,145	31.7%
Sales/Use Tax (Calendar 2021)	3,819,881	64.6%	2,095,383	35.4%
Mtr Vehicle Sales tax (Calendar 2021)	562,518	52.2%	515,365	47.8%
Mtr Vehicle Reg Tax (Calendar 2021)	465,379	54.6%	386,552	45.4%
Gas Tax (Calendar 2021)	403,940	45.8%	478,839	54.2%
Corp Income Tax (Calendar 2021)	1,171,463	67.4%	566,246	32.6%
State Prop Tax (Payable 2021)	509,210	65.5%	267,630	34.5%
Total Taxes	14,689,915	65.0%	7,913,160	35.0%