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Department of Revenue
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STATE OF MINNESOTA

Minnesota Tax Guide

1976

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Foreward

This book is a summary of the state and local taxes in Minnesota at the end of the 1975 legislative session and includes a report of the state and local tax receipts for fiscal years 1974 and 1975. The first and second sections contain summaries of the state and the local tax systems, respectively. The third section summarizes the state aids distributed to local governments, and the fourth section is a summary of the major licenses and permits required in the State of Minnesota.

We want to acknowledge use of "A Fiscal Review of the 1975 Legislative Session," published by the Minnesota State Senate, in preparing the section on state aids to local governments.

Department of Economic Development

Department of Revenue

During the time when this bulletin was being prepared, the 1976 Minnesota Legislature was in session. If you desire information concerning any of the law changes, you may contact. . .

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State Taxes

Income Taxes

INDIVIDUAL INCOME TAX

Filing Requirements

The Minnesota Income Tax Act provides that a return must be filed if an individual's annual Minnesota gross income exceeds a certain amount according to his status as follows:

<u>FILING STATUS</u>	<u>GROSS INCOME</u>	<u>FILING STATUS</u>	<u>GROSS INCOME</u>
(a) Unmarried	\$1,000	(k) Married and both are blind (combined income)	\$2,900
(b) Unmarried and 65 or older	1,800	(l) Married, both blind, and one is 65 or older (combined income)	3,300
(c) Unmarried and blind	1,800	(m) Married, both blind, and both are 65 or older (combined income)	3,600
(d) Unmarried, 65 or older, and blind	2,400	(n) Executor or administrator of an estate; trustee or other fiduciary of property held in trust	750
(e) Married (combined income)	1,800	(o) Guardian of an infant or incompetent person	1,000
(f) Married and one is 65 or older (combined income)	2,400	(p) Every individual whose tax liability exceeds allowable credits, regardless of income	--
(g) Married and both are 65 or older (combined income)	2,800	(q) Partnerships file information income	--
(h) Married and one is blind (combined income)	2,400		
(i) Married, one is blind, and one is 65 or older (combined income)	2,800		
(j) Married, one is blind, and both are 65 or older (combined income)	3,300		

Determination of Taxable Income

An individual enters on line 1 of his Minnesota return his federal adjusted gross income which includes wages, salaries, tips, dividends, interest, pension and annuity payments. The amount of any federal income tax refund received during the taxable year must be added to income to the extent that the deduction of federal income taxes resulted in a reduction of Minnesota income taxes paid in a previous year. In addition, certain deductions made on the federal return, such as moving or employee business expenses, must be added if they were incurred outside Minnesota. Effective for taxable years beginning after Dec. 31, 1975, no taxpayer who receives or has received rental income from a "substandard building" may take a deduction for interest and depreciation on that building. For individuals these amounts are an addition to the federal adjusted gross income. Certain subtractions are also allowed from federal adjusted gross income including certain types of military compensation, interest income on obligations of the U.S. government,

Determination of Taxable Income (continued)

income received by a nonresident for personal services performed outside Minnesota, interest and dividend income received by a nonresident, and pensions received from any other state or its political or governmental subdivisions.

Minnesota adjusted gross income is arrived at by deducting from Minnesota gross income the total amount of federal income taxes paid and withheld during the taxable year to the extent that the taxes were paid on income that was also taxed by Minnesota. A self-employed person may deduct the amount of self-employment tax he paid which was in excess of what he would have paid if he paid social security (F.I.C.A.) taxes. To reduce Minnesota adjusted gross income to taxable income, the taxpayer has the option of taking the standard deduction or of itemizing deductions. Allowable itemized deductions include certain taxes, including Minnesota property, sales and gasoline taxes, certain licenses, interest paid, contributions and, in addition to medical insurance premiums, the full amount of any medical and dental expenses not compensated by insurance. The standard deduction is equal to 10% of the taxpayer's Minnesota adjusted gross income, up to a maximum deduction of \$1,000 for taxpayers with Minnesota adjusted gross income of \$10,000 or more. If husband and wife file separately, each could take the standard deduction, with a maximum of \$1,000 each.

Minnesota does not allow personal exemptions to further reduce the taxable income base, but rather allows personal credits against the tax. The personal credits and others are described below as either being nonrefundable or refundable.

Determination of the Tax

The tax on the income of individuals is computed at a graduated rate according to the amount of taxable income. The statutory rates of the Minnesota individual income tax for taxable years beginning after Dec. 31, 1971, are as follows:

<u>TAXABLE INCOME</u>		<u>RATE OF TAX</u>
First	\$ 500	1.6%
Second	\$ 500	2.2%
Next	\$ 1,000	3.5%
Next	\$ 1,000	5.8%
Next	\$ 1,000	7.3%
Next	\$ 1,000	8.8%
Next	\$ 2,000	10.2%
Next	\$ 2,000	11.5%
Next	\$ 3,500	12.8%
Next	\$ 7,500	14.0%
More than	\$20,000	15.0%

Determination of the Tax (continued)

If the taxpayer itemizes deductions or if he takes the standard deduction and his Minnesota adjusted gross income is \$10,000 or more, a "Schedule of Tax Rates" is used to determine tax liability. However, individual taxpayers having a taxable net income of less than \$10,000 after either itemizing or taking the standard deduction, consult a table to determine the tax due.

Credits Against the Income Tax

Personal and Dependent Credits (Nonrefundable)

The amount of individual income tax liability is reduced by a personal credit against the tax. For taxable years beginning after Dec. 31, 1971, a personal credit of \$21 each is allowed for the taxpayer, spouse, and each dependent, and for the estate of a decedent. A \$5 credit is allowed in the case of a trust. If married persons file separate returns, one spouse may claim all the credits or each spouse may claim part of the total credits. The credits are allowed only for the number of months during the taxable year that the taxpayer was in a particular status. An additional special credit of \$25 is allowed a taxpayer and his spouse if either is blind or becomes blind during the taxable year.

Another additional special credit of \$21 each is allowed to a taxpayer and to his spouse if age 65 or older at the end of the taxable year. Also, for taxable years beginning after Dec. 31, 1974, a deaf taxpayer, spouse or dependent is allowed a \$25 credit.

Income Tax Paid to Other States (Nonrefundable)

A Minnesota resident may be allowed a tax credit if he earned income in another state (except Wisconsin or North Dakota with which Minnesota has reciprocity agreements) if: 1) the income is from personal or professional services performed; 2) the other state does not allow a tax credit to Minnesota residents; and 3) the claimant is liable to that state for an income tax on the income so earned. Income tax withheld by another state does not constitute a liability.

A nonresident who earned income in Minnesota may be allowed a credit if: 1) his income is from personal or professional services performed in Minnesota and he does not qualify for the income exclusion under the reciprocity agreement; 2) he is liable to Minnesota for an income tax on the income so earned; and 3) his home state grants a similar credit to residents of Minnesota.

The credit is an amount equal to the Minnesota tax liability, before the income tax paid to other states credit, multiplied by the ratio of income earned in another state to Minnesota gross income.

Income Tax Paid to Other States (Nonrefundable) (continued)

The credit may not exceed the amount of tax paid to the other state on income earned in that state which is also subject to the Minnesota income tax. The credit may not reduce the Minnesota income tax to an amount less than would have been payable if the gross income earned in the other state had been excluded in computing Minnesota taxable income.

Minnesota's reciprocity agreements with Wisconsin and North Dakota provide that compensation received by residents of these states for the performance of services within Minnesota is excluded from Minnesota gross income to the extent that the compensation is subject to income tax in the state of residence. Wisconsin and North Dakota allow a similar exclusion of compensation received by Minnesota residents in these states.

Pollution Control Equipment Credit (Nonrefundable)

A credit is provided for equipment or devices installed and operated within the state for the prevention, control or abatement of air, land or water pollution. The pollution control credit provides for an income tax credit of 5% of the cost of equipment. The maximum allowable pollution control equipment credit is \$50,000 per year. The feedlot pollution control credit provides for an income tax credit of 10% of the cost of pollution control equipment and devices installed by a feedlot operator in connection with the operation of a livestock feedlot, poultry lot or other animal lot.

Political Contribution Credit (Nonrefundable)

Effective for taxable years beginning after Dec. 31, 1973, a taxpayer may take a credit against the tax of 50% of his contributions to a political party and candidate with a maximum credit of \$12.50. A married couple filing jointly may take a similar credit of not more than \$25. However when the contribution is only to a political party, the individual credit may be no more than \$5 or, in the case of a joint return, \$10. The credit may be claimed only for contribution to a political candidate or a political party which has candidates seeking nomination for election, or election, to a Minnesota statewide office, a Minnesota legislative office, or a Minnesota supreme court or district court judicial office. This credit is in lieu of the itemized deductions for political contributions established elsewhere in the statutes.

Low Income Credit (Nonrefundable)

A tax credit is granted to offset the income tax liability of qualifying individuals, effective for taxable years beginning on or after Jan. 1, 1975.

Low Income Credit (Nonrefundable) (continued)

The income levels below which the tax is forgiven for certain size households are as follows:

<u>Number in Household</u>	<u>Forgiveness Level</u>
1	\$4,400
2	\$5,200
3	\$6,000
4	\$6,700
5	\$7,300
6 or more	\$7,800

If a claimant's income exceeds the amount set forth above, he may 1) pay a tax equal to 15% of that portion of his income in excess of the forgiveness level, or 2) pay his tax obligation as it would have been without this low income credit, whichever is less. An employee who anticipates that he will be spared tax liability because of the "working poor" act may arrange to have no tax withheld.

Income-Adjusted Homestead Credit (Refundable)

Effective with respect to property taxes payable after Dec. 31, 1975, or rent paid after Dec. 31, 1974, the income-adjusted homestead credit (or "circuit breaker") is applicable. This credit is in addition to the homestead credit described in the property tax section under "local taxes," but it replaces the senior citizens and disabled persons income tax credit which granted a refundable credit up to \$720 to persons who were 65 years of age or older or who were blind or disabled and whose income was less than \$6,000. The amount of the senior citizens and disabled persons credit varied with the income level and the amount of property tax or equivalent rent paid from 90% relief to 5% relief. The income-adjusted homestead credit also replaces another refundable income tax credit: the rent credit. The rent credit was 10% of the rent paid for occupancy, with a maximum allowable credit of \$120. An individual could not have claimed both the rent credit and the senior citizens and disabled persons income tax credit.

The income-adjusted homestead credit provides for payment of a state credit for that portion of homestead property taxes exceeding a prescribed percentage of income, up to the maximum credit provided.

(see chart on following page)

Income-Adjusted Homestead Credit (Refundable) (continued)

<u>Income</u>	<u>Prescribed Percentage</u>	<u>Maximum Credit*</u>
\$ 0 to 2,499	1.0%	\$475
2,500 to 19,999	1.5	475
20,000 to 22,999**	1.6	475
23,000 to 25,999**	1.8	425
26,000 to 30,999***	2.0	375
31,000 to 35,999***	2.2	350
36,000 to 40,999	2.4	325
41,000 to 44,999	2.6	325
45,000 to 52,999	2.8	325
53,000 to 65,999	3.0	325
66,000 to 81,999	3.2	325
82,000 to 99,999	3.5	325
100,000 or more	4.0	325

* The maximum credit for senior citizens and disabled persons is \$200 greater than the maximum for persons not having these qualifications.

** If a person's income is between \$20,000 and \$26,000, the maximum credit declines \$16.67 for each \$1,000 beyond \$20,000.

*** If a person's income is between \$26,000 and \$36,000, the maximum credit declines \$5.00 for each \$1,000 beyond \$26,000.

Property taxes payable for purposes of the "circuit breaker" means taxes exclusive of special assessments, penalties and interest payable on a person's homestead before reductions made for homestead credit, but after deductions for the taconite homestead credit (described in the property tax section of this publication. The "circuit breaker" is extended to renters based on 20% of the rent paid for occupancy only of the claimant's homestead.

The income-adjusted homestead credit is to be reduced by the amount of homestead credit granted on the claimant's property tax statement. The state then pays the balance, if any.

Senior citizens, disabled persons and renters can claim the income-adjusted homestead credit as a credit against their income tax; homeowners file for the refund separately.

Special Property Tax (Freeze) Credit (Refundable)

The 1973 Legislature enacted the special property tax credit to freeze the net homestead property tax of a person at the amount that it is when he reaches age 65. The credit is the difference between an established base year tax and the current year tax.

If a person turns age 65 before June 1, his base tax is that payable in the previous year. If he becomes age 65 on or after June 1, his base tax is the tax payable in that same year. The amount of taxes payable in 1973 is the first base year tax and is the base year for

Special Property Tax (Freeze) Credit (Refundable) (continued)

all persons who became age 65 prior to June 1, 1974. The surviving spouse of a person who was 65 or older at his death also qualifies for the credit, regardless of the year of the spouse's death.

Property which qualifies for the credit is a single family dwelling, part of a multifamily dwelling, a portion or a multipurpose structure or a mobile home, together with up to one acre of land.

When the freeze credit was passed into law by the 1973 Legislature, it was not related to income. The 1975 Legislature modified the law so that persons earning up to and including \$10,000 receive 100% of the difference between their base tax and their current tax. For each additional \$500 in earnings in excess of \$10,000, the freeze credit is reduced by 5%. In effect, the freeze credit is eliminated for persons earning \$19,501 or more. The current tax is reduced by the amount of the income-adjusted homestead credit before use in the calculation of the freeze credit.

Exempt Agricultural Electricity Credit (Refundable)

Any consumer who has paid Minnesota sales tax to an electrical retailer on purchases of electricity used or consumed in agricultural production may file a claim for credit. The consumer must obtain a certificate from the electrical retailer certifying that the retailer has not previously filed a claim for the credit for which the consumer is making a claim. The amount of credit is equal to the amount paid for electricity used or consumed in agricultural production multiplied by 4%.

Payment Requirements

The individual taxpayer whose income is derived from wages is subject to income tax withholding. Quarterly income tax prepayments based on a declaration of estimated tax are required for income not subject to withholding. If the withholding and/or declaration income tax payments plus any refundable credits claimed do not equal the actual tax liability after deduction of nonrefundable credits, a claim for refund or a final payment is made with the individual return.

The deadline for filing Minnesota individual income tax returns for calendar year taxpayers is April 15. Taxpayers on a fiscal year basis must file three and one-half months after the close of the fiscal year.

Distribution

All revenue from the individual income tax is deposited in the State Treasury and credited to the general revenue fund.

WITHHOLDING TAX

Every employer paying wages after Oct. 1, 1961, is required to deduct and withhold an income tax from his employees on the basis of each payroll period. The amount of income tax to be withheld is based on the Minnesota Income Tax Withholding Tables. These tables are provided for weekly, biweekly, semimonthly, monthly, daily and miscellaneous payroll periods. The tables show the amount to be deducted for a specified wage with a specified number of withholding exemptions. Employers who wish to use a method other than the tax tables must request and obtain permission from the Commissioner of Revenue.

The employer is required to file an Employer's Quarterly Withholding and Excise Tax Return for each calendar year quarter on or before April 30, July 31, October 31 and January 31 of each year, or at the end of another reporting period. The Commissioner may classify employers according to the amount of their tax liability. The reporting period for each class may be no longer than one year, nor less than one month, nor less than three months for employers with annual payrolls of less than \$100,000.

If the amount that the employer withholds exceeds \$100 in any one month, he is required to make a deposit of the amount withheld in that month by the 15th day of the following month for the first two months of the quarter, and with the quarterly return for the third month of each quarter.

CORPORATION EXCISE TAX

Filing Requirements

Every corporation not specifically exempted from the income tax must file a return of its income or loss for the taxable period if its gross income is in excess of \$5,000 or if its net income exceeds \$500. A corporation required to file a return must pay at least the minimum tax of \$100.

Determination of Taxable Net Income

Corporation total gross income, less business expenses paid during the corporation's business year, is the basis for determining net income. Federal income taxes are not an allowable deduction for periods after July 1, 1971. Taxes paid to foreign countries are also not an allowable deduction for taxable years beginning after Dec. 31, 1974.

If the corporate net income is derived from business operation conducted within and without Minnesota, a three-factor formula is generally used to allocate the portion of net income to be taxed by Minnesota. The three factors used in this formula are property, payroll and sales. The Minnesota system allows the corporation a low-factor option of either the arithmetic average of the three factors or the weighted ratio of 15% property, 15% payroll and 70% sales. The taxpayer may petition the Commissioner of Revenue to allow him to use another method, including separate accounting, to determine his Minnesota net income. The sales

Determination of Taxable Net Income (continued)

factor in the apportionment formula is determined on a pure destination basis for taxable years beginning after Dec. 31, 1973. Under the origin of contract basis used prior to that date, all sales made by, through or from an office in Minnesota were assignable to Minnesota, even though the sales may have been delivered outside Minnesota.

Credits Against Income

Dividend Received Credit

A credit is allowable to the extent of 85% of the dividends received by a corporation during the taxable year from another corporation when the stock 1) does not constitute the stock in trade of the taxpayer; 2) would not be included in the inventory of the taxpayer; 3) does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business; or 4) when the trade or business of the taxpayer does not consist primarily of the holding of stocks and the collection of income and gains from stocks. The credit is allowable only in the proportion that the corporation's taxable net income that is assignable or allocable to Minnesota bears to the corporation's entire net income. This limits the ability of a parent company which itself does business both in and outside of Minnesota to claim a full credit for the dividends, but only against its Minnesota taxable income. The remaining 15% of the dividends received may be deducted if the corporation receiving the dividends owns 80% or more of all voting stock.

Specific Credit

Every corporation required to file a return is allowed a \$500 specific credit against net income.

Minnesota Contribution Credit

Corporations are allowed a credit for contributions made to the State of Minnesota, its political subdivisions or any nonprofit organization which is located and carries on substantially all of its activities within Minnesota. Contributions made to organizations which do not carry on all of their activities in the state are allowed in the ratio that Minnesota net income is to total net income. Contributions to individuals are not allowed, and the total credit against net income for allowable contributions may not exceed 15% of the taxpayer's net income as reduced by credits other than contributions.

Determination of Tax

Corporations are subject to a 12% tax on their taxable income. Every corporation which is required to file a corporation income tax return must pay at least the minimum income tax of \$100 for taxable years

Determination of Tax (continued)

beginning after Dec. 31, 1972. Prior to that date the minimum tax was \$10.

Credits Against the Income Tax

Pollution Control Equipment Credit

Corporations may claim a nonrefundable credit for equipment or devices installed and operated within the state for the prevention, control or abatement of air, land or water pollution. The credit is 5% of the cost, or other basis, of equipment acquired after Jan. 1, 1969. The maximum allowable annual credit is \$50,000.

A credit of 10% of the net cost of pollution control and abatement equipment purchased, installed and operated within the state by a feedlot operator in connection with an animal lot may be deducted from the income tax.

Premiums Tax Credit for Insurance Companies

Insurance companies are allowed a nonrefundable credit against their income tax equal to the amount of premiums tax paid to Minnesota.

Exempt Agricultural Electricity Credit

This refundable credit is identical to the credit claimed by individual filers, as discussed in the section on individual income tax credits on page 7. The amount of the credit is equal to the amount paid for electricity used in agricultural production multiplied by 4%.

Payment Requirements

Corporations are required to make quarterly income tax prepayments based on a declaration of estimated tax if their annual tax is expected to be in excess of \$1,000. Declarations may be based on either the estimated tax for the current year or the actual tax paid for the previous year. The balance of actual tax liability, less declaration payments, must be paid with the return unless the corporation elects to pay in two equal installments. In that case, the first installment must be paid on or before the original due date of the return and the second installment three months thereafter. Calendar year corporation returns must be filed by March 15, while fiscal year returns must be filed two and one-half months after the close of the fiscal year on which the corporation is operating. Both of these filing dates may be extended by the Commissioner of Revenue for a maximum period of six months from the original date. The law provides penalties for late filing and for failure to file a return.

Distribution

All revenue is deposited in the State Treasury and credited to the general fund.

BANK EXCISE TAX

Filing Requirements

Every national and state bank in Minnesota is required to file a return if its gross income exceeds \$5,000 or its net income exceeds \$500.

Determination of Taxable Income

The basis for determining net income is total gross income less business expenses, exclusive of federal income taxes, paid during the bank's business year. Gross income includes interest, dividends, rents and royalties.

Each bank is considered a single entity, whether or not it is a part of a larger bank system, and all income from tangible property is assigned to Minnesota. In cases where stocks, bonds or other intangible property constitute stock in trade, the income from trading in intangible property is assignable to the state in which the business is conducted. Income or gains from intangible property held in trust are assigned to Minnesota if the recipient or the grantor of the trust is domiciled within the state and the income or gains would be taxable to the grantor.

Income and gains received from tangible property not employed in the business of the recipient is assigned to Minnesota if the property is situated within the state.

Determination of Tax

Banks are subject to a 12% excise tax on their net income taxable after Dec. 31, 1973. For income taxable after June 30, 1971, and prior to Jan. 1, 1974, banks were subject to a 13.64% tax. The minimum tax for taxable years beginning after Dec. 31, 1972, is \$100. This tax is in lieu of all taxes on capital, surplus, property, assets and shares, except taxes imposed upon real property.

Payment Requirements

Banks are required to make quarterly income tax prepayments based on a declaration of estimated tax if their annual tax is expected to be in excess of \$1,000. Declarations may be based on either the estimated tax for the current year or the actual tax paid for the previous year. The balance of actual tax liability, less declaration payments, must

Payment Requirements (continued)

be paid with the return unless the bank elects to pay in two equal installments. In that case, the first installment must be paid on or before the original due date of the return and the second installment three months thereafter. Calendar year bank returns must be filed by March 15, while fiscal year returns must be filed two and one-half months after the close of the fiscal year on which the bank is operating. Both of these closing dates may be extended by the Commissioner of Revenue for a maximum period of six months from the original date. The law provides penalties for late filing and for failure to file a return.

Distribution

All revenue derived from this tax is deposited in the State Treasury and credited to the general fund.

EMPLOYER'S EXCISE TAX

Filing Requirements

An employer's excise tax is imposed on most employers paying taxable compensation to an employee after June 30, 1973. Exempted employers are as follows: railroads, freight line companies, express companies, sleeping car companies, taconite railroad companies, corporations operating public institutions, institutions of purely public charity, any corporation all the stock of which is owned by the U.S. or which is exempt from a state franchise tax by federal law, and the U.S. government, the State of Minnesota or any of their political subdivisions.

Determination of Taxable Amount

The first \$100,000 paid by an employer as taxable compensation during the employer's fiscal or calendar taxable year is exempt. The tax is imposed on compensation paid by each employer in excess of this amount.

Determination of the Tax

The rate of tax is two mills per dollar (.2%) on the taxable compensation, except that in the event an employer has a taxable net income of \$0 or less, the rate imposed is one mill per dollar (.1%) and any excess payments are refunded or applied as a credit against future tax liability.

Payment Requirements

The excise tax is reported on the Employer's Minnesota Quarterly Withholding and Excise Tax Forms and paid quarterly as the employer becomes liable.

EMPLOYER'S EXCISE TAX (continued)

Distribution

All revenue is deposited in the State Treasury and credited to the general fund.

INHERITANCE TAX

Filing Requirements

The State of Minnesota levies a tax on the transfer of any real or personal property to another person at death. The tax is imposed upon the transfer to each beneficiary.

Determination of Taxable Amount

The exemptions allowed vary with the closeness of the relationship between the beneficiary and decedent. For example, the exemptions allowed the decedent's widow are as follows:

1. The decedent's homestead to \$30,000;
2. Proceeds from U.S. government life insurance policies;
3. Maintenance for one year, limited to a maximum of \$5,000;
4. Furniture and household goods to \$2,000;
5. Other personal property, as selected, to \$1,000;
6. The decedent's wearing apparel;
7. An additional specific exemption of \$30,000 applicable to all other properties.

Many of these exemptions are also allowed to a minor or dependent child or legally adopted minor or dependent child, but the specific exemption (No. 7 from above) is reduced to \$15,000. As the relationship between decedent and beneficiary becomes more distant, the specific exemption is reduced.

Determination of Tax

The rate of tax varies with the closeness of the relationship between decedent and beneficiary. Rates on the transfer to the decedent's widow, minor or dependent child, or legally adopted minor or dependent child are as follows:

Determination of Tax (continued)

1½% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified

2% on the next \$25,000

3% on the next \$50,000

4% on the next \$50,000

5% on the next \$50,000

6% on the next \$100,000

7% on the next \$100,000

8% on the next \$100,000

9% on the next \$500,000

10% on that in excess of \$1 million.

The rates increase as the relationship between the decedent and beneficiary becomes more distant.

Payment Requirements

The return and tax are due within 12 months after the death of the decedent.

Distribution

The revenue of the inheritance tax is deposited in the State Treasury and credited to the general fund. On or before the first of November of each year the Commissioner of Revenue determines the net amount of inheritance tax and interest collected. Ten percent of this amount is returned to the respective counties and credited to the counties' revenue funds. Prior to Jan. 1, 1974, 20% of the net tax was returned to the counties. The 10% reduction was offset by an increase in the Local Government Aid distribution.

Note: Uniform Probate Code (U.P.C.)

The 1974 Legislature changed the Minnesota Probate Code by adopting certain portions of the Uniform Probate Code; changes became effective Jan. 1, 1976. The principal change effected is that in addition to formal administration of decedents' estates, as in the past, informal or unsupervised proceedings are available.

ESTATE TAX

In addition to the inheritance tax, an estate tax is imposed upon all estates which are subject to taxation under the Federal Revenue Act. The amount of the tax is equal to the amount by which the maximum federal credit for state death taxes exceeds the total aggregate amount of all state inheritance, estate, legacy and succession taxes actually paid.

The estate tax is collected at the same time as the inheritance tax. It is also returned to the counties in the same manner as the inheritance tax.

GIFT TAX

Filing Requirements

A tax is imposed for each calendar year upon the transfer of property made during that year from one person to another by means of gifts.

Determination of Taxable Amount

The exemptions allowed vary with the closeness of the relationship between the donor and donee. Generally, all gifts to the U.S., the State of Minnesota and its political subdivisions, nonprofit organizations and to employees are exempt from the gift tax. In addition, the first \$3,000 of gifts made by a donor in a calendar year are tax exempt. Specific exemptions for particular donees are as follows:

1. \$10,000 if the donee is the wife or minor child, either by blood or adoption;
2. \$5,000 if the donee is the husband, adult child or other lineal descendant;
3. \$3,000 if the donee is a lineal ancestor;
4. \$1,000 if the donee is a brother or sister, descendant of a brother or sister, wife or widow of a son, or husband of daughter.
5. \$250 for all other donees.

Determination of Tax

The rates applied vary with the closeness of the relationship between the donor and donee. Rates on the transfer to the donor's wife, minor or dependent child, or legally adopted minor or dependent child are as follows:

Determination of Tax (continued)

1½% on that part of the first \$25,000 which exceeds the applicable exemption or exemptions specified

2% on the next \$25,000

3% on the next \$50,000

4% on the next \$50,000

5% on the next \$50,000

6% on the next \$100,000

7% on the next \$100,000

8% on the next \$100,000

9% on the next \$500,000

10% on that in excess of \$1 million.

Credits Against the Tax

Tax credits are also allowed in computing the tax on gifts to the following donees in the following amounts:

- | | |
|---|-------|
| 1. Wife of the donor | \$300 |
| 2. Minor child (by blood or adoption) | \$ 75 |
| 3. Husband, adult child or other lineal descendant | \$ 20 |
| 4. Lineal ancestors | \$ 60 |
| 5. Brother or sister, descendant of a brother or sister, wife or widow of a son, or husband of a daughter | \$ 30 |
| 6. Aunt, uncle or their descendant | \$ 40 |
| 7. All others | \$ 20 |

Payment Requirements

The gift tax return and payment are due on or before April 15 of the calendar year following the year for which the return is made.

Distribution

The revenue from the gift tax is deposited in the State Treasury and credited to the general fund.

Sales and Excise Taxes

SALES AND USE TAX

Filing Requirements

The sales tax is imposed upon the gross receipts of all persons who sell, lease or rent tangible personal property at retail in Minnesota after July 31, 1967. In general, a sale is at retail unless the buyer purchases the property solely for the purpose of reselling it. The tax is imposed on the buyer and is collected and reported by the seller.

The use tax complements the sales tax and is imposed on the storage use or consumption in Minnesota of taxable tangible personal property purchased after July 31, 1967, unless the Minnesota sales tax was paid on the sale.

Every person engaged in the business of making taxable sales in Minnesota, including those located outside Minnesota, must obtain a Minnesota Sales and Use Tax Permit and file a return. If a seller has more than one location, he must obtain a permit for each location. He may file one return on which he reports separately for all locations, or he may file a separate return for each location.

Determination of Taxable Sales

In general, all retail sales are subject to taxation unless specifically exempted by law. Taxable sales include selling, leasing or renting of tangible personal property; admissions and amusement devices; furnishing of meals, drinks or "takeout" food; transient lodging; electricity, gas, water, steam, local exchange telephone service and intrastate toll service furnished for a consideration; the production, fabrication, printing or processing of tangible personal property for consideration when the consumer furnished the material used; and sale of building materials for the alteration, repair or improvement of real property. Taxable sales do not include meals served to the aged and handicapped by nonprofit or governmental organizations.

Exemptions from the sales and use tax can generally be classified into the following three categories:

Determination of Taxable Sales (continued)

1. Exempt Items

Items exempt from the sales and use tax include clothing, food products, drugs and medicine for human consumption, cigarettes, motor fuels, publications regularly issued at intervals of three months or less, motor vehicles which are subject to the 4% motor vehicle excise tax, caskets and burial vaults, items shipped or delivered outside the state without any intermediate use in this state, and occasional sales not made in the normal course of business of selling such property.

2. Items Used for Exempt Purposes

Items which are exempt from the sales and use tax when used for certain exempt purposes include all materials used or consumed in the agricultural or industrial production of personal property intended for ultimate sale at retail, including chemicals, fuels, petroleum products, lubricants, packaging materials, feeds, seeds, fertilizers, electricity, gas and steam; tangible personal property except paper or ink products used or consumed in producing a publication at average intervals of less than three months; paper and ink products, up to \$100,000 in a calendar year, when used or consumed in the production of an exempt publication; rolling stock used, stored or consumed by railroads, freight line companies, sleeping car companies and express companies; airflight equipment used, consumed or stored by airline companies; mill liners, grinding rods and grinding balls consumed in the production of taconite; aircraft for which a commercial use permit has been issued; accessory tools and other short-lived items used in industrial or agricultural production which have a useful life of less than 12 months and which are separate detachable units which produce a direct effect upon a product; textbooks which are prescribed for use in a course of study in a public or private school, college, university, business or trade school; and materials designed to advertise the sale of merchandise or services if purchased for the purpose of being transferred and used outside the state. Not exempt are sales of machinery, equipment, tools, furniture and fixtures even if purchased for use in agricultural or industrial production.

3. Purchases Made by Exempt Organizations

An exemption is provided for purchases of tangible personal property purchased, stored or consumed by the U.S. and its agencies and instrumentalities; a state and its agencies,

Determination of Taxable Sales (continued)

instrumentalities and political subdivisions; or any corporation, society, association, foundation or institution organized and operated exclusively for charitable, religious or educational purposes if the property is used in the performance of exempt functions. Exemption is also provided for purchases by senior citizen groups organized and operated for pleasure, recreation and other nonprofit purposes.

Determination of the Tax

The sales tax rate of 4% is based on the gross receipts of all sales unless specifically exempted by law. The use tax rate is also 4% and is based on the sales price to the buyer of taxable property on which the sales tax was not paid. The sales and use tax rate prior to Nov. 1, 1971, was 3%. Coin operated vending machines making taxable sales are subject to a tax at the rate of 3% of gross receipts for sales made after Dec. 1, 1971.

Filing Requirements

Sales and use tax returns are required to be filed by each permit holder on or before the 25th day after the end of each reporting period. A permit holder must file a return each month, except in the following cases:

1. If a filer has had an average monthly sales and use tax liability of less than \$100 over the preceding six months, he may request to file only quarterly.
2. If the average monthly tax has been less than \$10 over the preceding 12 months, he may request to file only annual returns.
3. If a filer makes taxable sales only during certain months of the year, the account is noted as seasonal, and monthly returns are required only for the months indicated.

Distribution

All revenues, including interest and penalties, derived from the sales and use tax are deposited in the State Treasury and credited to the general fund.

MOTOR VEHICLE EXCISE TAX

Determination of Taxable Transactions and Taxable Amount

Although the retail sales of motor vehicles are not subject to the 4% Minnesota sales tax, they are subject to a 4% motor vehicle excise tax, as is any transfer of a motor vehicle from one party to another for any purpose other than resale. The tax is 4% of the selling price. Specifically exempted from this tax are transfers made under the following conditions:

1. The purchase or use of motor vehicles by the U.S. and its agencies or instrumentalities, a state and its instrumentalities and political subdivisions, nonprofit organizations, or any person assisted by a grant from the U.S. under the terms of 38 U.S. Code, Section 1901, as amended.
2. The purchase or use of any motor vehicle by any person who was a resident of another state at the time of purchase, if he becomes a resident of Minnesota more than 60 days from the purchase.
3. The purchase or use of motor vehicles by any person making a valid election to be taxed as a common carrier registered as a retailer.
4. The sale of a vehicle if qualified under federal law (a) as a transfer to a corporation controlled by the transferor, or (b) as a contribution to a partnership in exchange for an interest in the partnership.
5. The transfer of a vehicle from joint ownership to ownership by one or more of the same joint owners without monetary consideration.
6. The acquisition of a vehicle by inheritance, bequest or selection by the surviving spouse.
7. The transfer of a vehicle as a gift between husband and wife or parent and child.
8. The transfer of a vehicle by a guardian to his ward, with no monetary consideration, and the title to the vehicle had been registered in the name of the guardian, as guardian, only because the ward was a minor.
9. The lease or resale of a vehicle by a purchaser who holds a sales and use tax permit.
10. The voluntary or involuntary transfer of a vehicle between a husband and wife in a divorce proceeding.

Payment Requirements

The tax is paid to the Motor Vehicle Services Division of the Department of Public Safety, and proof that the tax has been paid is required before registration plates or certificate will be issued.

Distribution

All revenues derived from this tax are deposited in the State Treasury and credited to the general fund.

MOTOR FUELS TAXES

(Gasoline and Special Fuels Excise Tax)

Determination of Taxable Amount and Tax

An excise tax of nine cents per gallon is imposed on all gasoline used in motor vehicles operated on public highways. In addition, an excise tax of nine cents per gallon is imposed on all aviation and marine gasoline sold, stored or withdrawn from storage in Minnesota. Taxes paid for motor fuels used in other off-road vehicles may be refunded to the individual who paid the tax if he files a claim for refund with the Department of Revenue. Refunds for tax paid on aviation gasoline are made on a graduated basis. With an increased refund as the amount used increases. An excise tax of nine cents per gallon is imposed on all combustible gases and liquid petroleum products, except gasoline, which are (1) delivered into the tank of a licensed motor vehicle or storage tanks maintained as a source of fuel for a licensed motor vehicle; (2) delivered to a licensed dealer, or (3) used as aviation fuel.

The excise tax imposed on motor fuels is not applicable to any substitute product for petroleum which has been manufactured from waste materials, including agricultural waste and byproducts, household waste, solid waste and wood byproducts.

The 1975 Legislature increased the gasoline and special fuels tax from seven cents per gallon to nine cents per gallon, applicable to all gasoline and special fuels in distributor storage on June 1, 1975.

Distribution

The proceeds of the gasoline excise tax are paid into the highway user tax distribution fund and distributed as follows: 62% to the trunk highway fund, 29% to the county state aid highway fund and 9% to the municipal state aid street fund.

Revenues derived from the excise taxes on aviation gasoline and on special fuels, including interest and penalties, are credited to the

Distribution (continued)

aviation fuel tax fund. Unrefunded snowmobile gasoline tax (equal to three-eighths of 1% of all revenues derived from the excise tax on gasoline) is credited to the general fund for appropriation to the Commissioner of Natural Resources for use in snowmobile trail and area maintenance and construction. Unrefunded marine gasoline tax (equal to three-fourths of 1% of gasoline excise tax revenues minus marine refunds) is paid into the State Treasury, with one-third credited to the state park development account, one-third to the game and fish fund and the remainder credited to the general fund for boat and water safety.

ALCOHOLIC BEVERAGE TAXES

Filing Requirements

Minnesota imposes a tax on liquor, wine and malt beverages at the wholesale distribution level. Retail sales of alcoholic beverages are also subject to the 4% retail sales tax.

Determination of Tax

The rates of the state liquor taxes as of Aug. 1, 1973, are as follows:

Wines:	Tax Rate
Unfortified Wines	\$.27/gallon
Fortified Wines 14 to 21% alcohol by volume	\$.79/gallon
Fortified Wines 21 to 24% alcohol by volume	\$1.58/gallon
Fortified Wines over 24% alcohol by volume	\$3.08/gallon
Sparkling Wines	\$3.08/gallon

Distilled Spirits:

All distilled spirits, regardless of alcoholic content, are taxed at a rate of \$4.39 per gallon.

Fermented Malt Beverages:

An excise tax on malt beverages is based on alcoholic content. Malt beverages containing 3.2% or less of alcohol by weight are taxed at a rate of \$2.00 per barrel of 31 gallons. Beverages containing more than 3.2% of alcohol by weight are taxed at a rate of \$4.00 per 31-gallon barrel.

Any brewer who produces and sells fermented malt beverages within the state receives a credit of 50% of the tax on the first 40,000 barrels with an alcoholic content of 3.2% or less produced and

Determination of Tax (continued)

sold in any fiscal year. A similar 50% credit is allowed on the first 40,000 barrels with an alcoholic content in excess of 3.2%.

Distribution

All revenues derived from the alcoholic beverage taxes are deposited into the State Treasury and credited to the general fund.

TOBACCO TAXES

Cigarette Tax:

Determination of Tax

A tax is imposed on the sales of cigarettes in Minnesota at the following rates:

1. Nine mills per cigarette on cigarettes (including "little cigars") weighing three lbs. or less per thousand; or
2. Eighteen mills per cigarette on cigarettes weighing more than three lbs. per thousand.

If the tax is not paid by the distributor, the tax is imposed upon the use or storage of the cigarettes by consumers.

Currently, only cigarettes weighing less than three lbs. per thousand are being marketed in Minnesota. With 20 cigarettes per pack at the 9 mill per cigarette rate, the current tax is 18 cents per pack. Any licensed distributor, however, may purchase tax stamps at a discount of 2.5% for the first \$500,000 purchased in any fiscal year, 2.0% on the next \$500,000 purchased, and 1.5% on any additional stamps purchased.

The retail sales of cigarettes in Minnesota is not subject to the 4% Minnesota general sales tax.

Distribution

The balance of the revenue derived from the cigarette tax, after crediting 5½% to the natural resources account and 5½% to the natural resources acceleration account, is credited to the general fund. Prior to Jan. 1, 1974, 11.9% of the balance was distributed to the local units of government. Subsequent to that date, these local distributions were replaced by an increased local government aid distribution.

Tobacco Products Tax:

Determination of Tax

Tobacco products, other than cigarettes, are taxed at a rate of 20% of the wholesale sale price. These products include cigars, chewing tobacco, pipe tobacco and other tobacco products other than cigarettes. The tax is imposed at the time the distributor (1) brings tobacco products into the state for sale; (2) makes, manufactures or fabricates tobacco products for sale in the state; or (3) ships or transports tobacco products to retailers in this state.

If the tax is not paid by the distributor, the tax is imposed upon the use or storage of the products by consumers in the state. This tax, however, does not apply to the use or storage by consumers of tobacco products in the following quantities:

1. Fifty or fewer cigars;
2. Ten ounces or less of snuff;
3. One pound, or less, of smoking or chewing tobacco or other tobacco products.

Distributors are allowed to subtract 2½% of the tax due for administrative expenses.

Distribution

The revenue from the tobacco products tax is deposited in the State Treasury and credited to the general fund.

OLEOMARGARINE TAX

From 1933 to mid-1974, an inspection fee and excise tax of 10 cents per lb. was imposed on all oleomargarine which was colored yellow and offered for sale in Minnesota. The tax was paid by the manufacturer or importer through the purchase of stamps from the Commissioner of Revenue. The stamps were affixed to each container. All revenues derived from the tax on oleomargarine, except for funds appropriated each biennium for administration of the tax, were deposited in the State Treasury. Of these funds, \$125,000 was credited annually to the dairy and related products research and marketing account for the purpose of carrying on research and development in the area of new and better uses for dairy and related products.

The 1974 Legislature passed into law a bill which repealed the oleomargarine tax in two steps. Effective July 1, 1974, the tax was reduced to five cents per lb., and effective July 1, 1975, the tax was completely eliminated.

MORTGAGE REGISTRY TAX

Determination of Taxable Amount and Tax

A tax of 15 cents is imposed on each \$100 of principal debt which is secured by any mortgage of real property in the state and is paid to the county treasurer, unless the property is not taxed by direct tax upon the assessed valuation. In this case, the tax is paid to the Commissioner of Revenue.

Distribution

The proceeds of this tax were apportioned as follows until Dec. 31, 1973: one-sixth to the state general fund, one-sixth to the county revenue funds and the balance divided equally between the school district and the city or town in which the real estate described in the mortgage is located. After that date, 95% of the proceeds are paid to the state general fund, and 5% to each county's general revenue fund. The reduction in the local mortgage registry distribution is offset by an increased local government aid distribution.

DEED TRANSFER TAX

Determination of Taxable Amount and Tax

The deed transfer tax is imposed on the transfer of all land and other realty in the state. The rate of tax is as follows: \$2.20 for consideration of \$1,000 or less, plus \$1.10 for each portion of \$500 in excess of \$1,000. The value used to compute the tax is based on a certificate of value which must be presented before the transfer is recorded. The tax is paid by purchasing documentary stamps from the county auditor.

Distribution

Proceeds are remitted to the State Treasury and credited to the general fund. The total collections are then reported to the Commissioner of Revenue whose duty it is to enforce the provisions of the deed transfer tax.

MOTOR VEHICLE RECYCLING TAX

Determination of Tax

The state imposes a tax of \$1.00 on the transfer of new or used

Determination of Tax (continued)

vehicles weighing more than 1000 lbs. The tax is not imposed on 1) transfers for resale purposes; 2) vehicles previously registered in the applicant's name; 3) vehicles purchased by the government, religious or charitable organizations; and 4) vehicles purchased or used by a resident of another state more than 60 days prior to moving to Minnesota.

Distribution

The tax is collected by the motor vehicle registrar and paid into the State Treasury.

Gross Earnings Taxes

Telephone Companies

All telephone companies with annual gross earnings of \$1,000 or less are required to pay a tax of 30 cents per telephone for each phone connected to the system. All other telephone companies are required to pay a tax of the following percentages of their gross earnings within the state:

- 1) Four percent of their gross earnings from service to rural subscribers.
- 2) Four percent of their earning from their exchange business from cities of the fourth class and statutory cities having a population of 10,000 or less.
- 3) Seven percent of their gross earnings derived from all other business.

Telephone companies are exempt from ad valorem taxes.

Proceeds from this tax are deposited in the State Treasury and credited to the general fund.

Sleeping Car Companies and Telegraph Companies

Every telegraph and sleeping car company is required to pay a tax of 6% of its gross earnings in lieu of ad valorem taxes on property in the state. Rolling stock used by sleeping car companies is exempt from the sales tax.

Proceeds of these taxes are deposited in the State Treasury and credited to the general fund.

Railroads, Taconite Railroads and Express Companies

All express companies and companies operating any taconite railroads, railroads or railways within the state are required to pay a tax of 5% of the gross earnings derived from their operation. This tax is in lieu of ad valorem taxes upon all property situated within the state. The rolling stock of these companies is exempt from the sales tax.

The proceeds of the taxes collected from railroad and express companies are deposited in the State Treasury and credited to the general fund. Taconite railroad gross earnings taxes are distributed as follows: 6% state, 22% county, 22% city or town and 50% school district where located.

Freight Line Companies

Freight line companies are required to pay a tax of 7% of their total gross earnings from all sources within the state. The tax is in lieu of all ad valorem taxes on property. In addition, rolling stock used by freight line companies is exempt from the sales tax.

Proceeds of this tax are deposited in the State Treasury and credited to the general fund.

Trust Companies

The gross earnings tax imposed on trust companies is collected at the local level. For this reason, the tax is summarized in the section describing the local tax system.

Insurance Premiums Taxes

Domestic and foreign companies other than town and farmers' mutual and domestic mutuals other than life, are required to pay a tax equal to 2% of the gross premiums, less return premiums, on all business received in Minnesota. The tax is paid in quarterly installments based on either the tax paid during the previous calendar year, or quarterly installments equal to one-fourth of 80% of the actual tax for the calendar year. On or before March 1, an annual return must be filed for the preceding calendar year. Any remaining liability must also be paid by March 1, and any overpayment may be credited against the April 15 installment.

Domestic mutual insurance companies, including town and farmers' mutual insurance companies, are required to pay a tax equal to 2% of the gross direct fire, lightning and sprinkler leakage premiums, less return premiums, on all direct business on property located in Minnesota. This tax is also paid in quarterly installments.

Insurance Premium Taxes (continued)

Domestic and foreign companies are required to pay a tax equal to 5% of the taxable underwriting profit from marine insurance written within the state. The tax must be paid on or before June 1 annually.

A surcharge of 2% of the fire, lightning and sprinkler leakage gross premiums, less return premiums, is imposed on all direct business received by any foreign or domestic fire insurance company on property of cities of the first class. This surcharge is due and payable in semiannual installments, June 30 and December 31.

Other persons, firms or corporations insuring Minnesota property, interests or risks of any nature other than Life and Workers' Compensation pay a 2% gross premiums tax.

A 2% gross premiums tax, less any returns, is paid by surplus line agents for obtaining insurance from unlicensed foreign insurers. The tax is collected from the insured by the agent.

In addition to the preceding taxes, all insurance companies, except mutual fire insurance and township mutual fire insurance companies, are required to pay annually by March 1 a tax of one-half of 1% of their gross premiums and assessments, less return premiums, for the maintenance of the office of the fire marshall.

The Minnesota Insurance Premiums Tax paid is allowed as a credit against the Minnesota Corporation Excise Tax, and for many companies, this credit reduces the amount of income tax they pay to the minimum tax.

The revenue from insurance taxes is deposited in the State Treasury and credited to the general fund.

RURAL ELECTRIC COOPERATIVES TAX

A tax of \$10 per each 100 members is imposed on cooperative electric utilities operating in rural areas. The tax is due annually on or before March 1 and is in lieu of personal property taxes on distribution lines and their attachments. All proceeds are credited to the state general fund.

Prior to Jan. 1, 1974, 5% of the proceeds were used for the administration of the tax with the remaining 95% distributed among the counties in proportion to the number of cooperative members in each county.

BOXING EXHIBITION TAX

The State imposes a 5% tax on the gross receipts from admission to every boxing and sparring exhibition, other than an amateur exhibition, and a 5% tax on the gross receipts from the lease or sale of radio, motion picture and television rights for such events. The tax is due within 24 hours after the termination of the event. Proceeds are deposited in the State Treasury and credited to the general fund.

Severance and Tonnage Taxes

(Royalty, Occupation and Production Taxes by Type of Mineral)

Royalty Tax on Iron Ore

A tax at the statutory rate of 15.5% is imposed on all royalties received in connection with the exploration and mining of iron ore. However, the royalty tax is reduced by an amount which makes the net effective tax rate equal to the net effective tax rate for the occupation tax.

The proceeds from the royalty tax on iron ore are paid into the State Treasury and credited to the general fund.

Royalty Tax on Taconite, Semi-Taconite and Iron Sulphides

A royalty tax at the statutory rate of 15% is imposed upon royalties received in connection with the exploration and mining of taconite. A credit which reduces the effective tax rate to the effective tax rate for occupation taxes is allowed for taconite, semi-taconite and iron sulphide royalty taxes.

The proceeds from the royalty tax on taconite, semi-taconite and iron sulphides are paid to the State Treasury and credited to the general fund.

Royalty Tax on Copper-Nickel Ore

Royalty received in connection with the mining of copper-nickel ore is taxed at the rate of 1% plus 1% of the amount of royalty paid on silver, gold, platinum and other precious metals.

The proceeds from the royalty tax on copper-nickel ore are paid to the State Treasury and credited to the general fund.

Occupation Tax on Iron Ore

An occupation tax of 15.5% is imposed on the value of all iron ore mined or produced in the state. The value of ore used in computing the tax is based on a standardized "Lake Erie Value." These values are based on the iron and other mineral content with adjustments for iron content above or below the guaranteed content.

From the Lake Erie Value, certain statutory and nonstatutory deductions are subtracted. Statutory deductions include costs of development, labor and supplies, administrative expenses, depreciation of mine plant and equipment, royalty and ad valorem taxes on ore mined. Nonstatutory deductions include those for costs of loading ore stockpiled during the year but not shipped, cost of beneficiation, transportation costs, marketing expenses and other miscellaneous costs.

The value after statutory and nonstatutory deductions is then multiplied by the 15.5% tax rate to yield the gross tax. From this amount, credits for labor, low grade ore, research, experimentation and exploration, and for costs of mining exceeding value of ore are subtracted, yielding the net tax. The net tax is paid in lieu of the income tax.

The occupation tax on iron ore is deposited in the State Treasury and credited to the general fund. Of this tax, 40% is used for support of elementary and secondary schools, 10% is used for general support of the University of Minnesota and 5% is for the maintenance of the Iron Range Resources and Rehabilitation Commission.

Occupation Tax on Taconite, Semi-Taconite and Iron Sulphides

The rate of occupation tax on taconite, semi-taconite and iron sulphides is 15% of the value of such ore mined or produced in the state. The computation of tax, statutory and nonstatutory deductions, and credits allowed are identical to those for the occupation tax on iron ore, and the tax is also in lieu of income tax.

The distribution of the occupation tax on taconite, semi-taconite and iron sulphides is the same as for the occupation tax on iron ore.

Occupation Tax on Copper-Nickel Ores

"Copper-nickel ore" means any ore in which copper or nickel, or both, constitute the major element or elements. An occupation tax of 1% of the value of copper-nickel ores is imposed on all ore mined or produced in the state. The computation makes specific allowances for production costs, but the only two credits allowed are for processing the ore within the state and for research, experimentation and exploration.

Occupation taxes paid with respect to the mining or producing of copper-nickel ores may be taken as a credit against the income tax.

Occupation Tax on Copper-Nickel Ores (continued)

The distribution of this tax is the same as for the occupation tax on iron ore.

Production Tax on Taconite and Iron Sulphides

A production tax is imposed on taconite and iron sulphides at the base rate of 11.5 cents per gross ton of merchantable iron ore concentrate produced, plus one-tenth of one cent per gross ton for each percent that the iron content exceeds 55%. There are provisions to increase the production tax by one-tenth of 1% per gross ton for each point the index of wholesale prices for all commodities increases above 110, using 1957-1959 equal to 100.

The proceeds of the base tax are distributed to the state general fund and to the cities, towns, school districts and counties in which taconite is mined and processed as follows: 11.5% to the city or town, 11.5% to the county, 27% to the school district, 3% to the state, and 47% to the property tax relief account.

First Additional Tax

An additional tax is imposed on the production of taconite and iron sulphides according to the following schedule:

- 10 cents per ton of concentrate produced during 1975 and 1976
- 12 cents per ton of concentrate produced during 1977 and 1978
- 14 cents per ton of concentrate produced during 1979 and thereafter.

As the wholesale price index for all commodities rises above 119 (1957-1959 equal to 100), this additional tax is increased by one-tenth of one cent per gross ton for each point above 119.

This first additional tax (currently 10 cents per ton) is distributed as follows: one cent to the county road and bridge fund, one cent to the Iron Range Resources and Rehabilitation Commission, three cents to the taconite property tax relief account and five cents to the taconite municipal aid account.

Second Additional Tax

Effective for iron ore concentrate produced in any year beginning after Dec. 31, 1974, a second additional tax of 39 cents per gross ton is imposed on taconite and iron sulphides.

This second tax is distributed as follows: 10 cents to the county in which the taconite is mined or quarried or the concentrate produced, 20 cents to the respective school districts, one cent to the Iron Range

Second Additional Tax (continued)

Resources and Rehabilitation Commission and eight cents to the property tax relief account of the State Treasury.

In Summary

The average iron content of the ore is 65% which adds approximately one cent per ton tax. As of Jan. 1, 1975, the wholesale price index for all commodities was 182.3. Compared to the 110 point standard for the base production tax on taconite and iron sulphides, this yields an increase of 7.23 cents per ton. Compared to the 119 point standard for the first additional tax, this yields an increase of 6.33 cents per ton. Thus the approximate production tax per gross ton on iron ore concentrate produced from taconite and iron sulphides is 75 cents (11.5 cents base tax, plus 1.0 cent for iron content, plus 7.23 cents escalator, plus 10.0 cents first additional tax, plus 6.33 cents escalator, plus 39.0 cents second additional tax).

Production Tax on Semi-Taconite

The rate of the production tax imposed on semi-taconite varies for those concentrates which are sintered (agglomerated) within the state and those which are not. For those sintered within Minnesota, the rate is five cents per gross ton of merchantable concentrate produced, plus one-tenth of one cent for each 1% that the iron content exceeds 55%. Concentrates not sintered in Minnesota are taxed at 10 cents per gross ton of merchantable concentrate produced, plus one-tenth of one cent per gross ton for each .5% that the iron content exceeds 55%. The production tax is paid in lieu of property taxes. There was no semi-taconite mined in Minnesota between 1971 and 1975.

The proceeds of this tax are distributed to the state general fund, and to the various taxing districts in which the semi-taconite is located as follows: 22% to the city or town, 50% to the school district, 22% to the county and 6% to the state.

Production Tax on Copper-Nickel Ores

The base production tax on copper-nickel ore is 2.5 cents per gross ton, plus 10% of the base tax per ton for each one-tenth of 1% that the average copper-nickel content per gross ton of such ore exceeds 1%. The average copper-nickel content of samples is near 1%. This composite rate is subject to an increase proportional to any increase in the current year average monthly wholesale price index for all commodities over the average monthly 1967 wholesale price index. Although this tax has been in existence since 1967, there has not been any production of the copper-nickel ore on which to levy the tax.

The tax is in lieu of all taxes other than the occupation, royalty,

Production Tax on Copper-Nickel Ores (continued)

production and income taxes.

The proceeds of the production tax on copper-nickel ore are to be distributed as follows: 11.5% to the city or town, 11.5% to the county, 27% to the school district, 3% to the state and 47% to the taconite property tax relief account.

In Lieu of Property Taxes

MOTOR VEHICLE LICENSE FEES

Motor vehicles using the public streets and highways are taxed at rates which vary according to the type and use of the vehicle. Passenger automobiles are taxed at a rate of \$10 per vehicle plus 1.25% of the base value. The base value is defined as the manufacturer's suggested retail price, including destination charges but excluding the cost of accessory items or optional equipment. This amount is multiplied by the following percentages to determine the base value for successive years of vehicle life:

<u>Age of Vehicle</u>	<u>Percent of Base Value</u>
First year	100%
Second year	90%
Third year	75%
Fourth year	60%
Fifth year	45%
Sixth year	35%
Seventh year	30%
Eighth year	20%
Ninth year	15%
Tenth year	10%
Eleventh and succeeding years	\$2

Other classifications of motor vehicles and the fees applied to them are as follows:

<u>Motor Vehicle Classification</u>	<u>Annual Rate</u>	<u>Motor Vehicle Classification</u>	<u>Annual Rate</u>
1. Two wheeled trailers with a gross weight of 3,000 lbs. or less	\$1.00	4. Farm trucks, excluding trailers	
2. Motorcycles, motor scooters and motorized bicycles with two wheels	\$3.00	First three years	60 cents/hundred weight (\$20 minimum)
3. Motorcycles, motor scooters and motorized bicycles with side car or three wheels .	\$5.00	Next three years	80% of first year (\$16 minimum)
		Next three years	60% of first year (\$12 minimum)
		Tenth and succeeding years .	40% of first year (\$10 minimum)

MOTOR VEHICLE LICENSE FEES (continued)

<u>Motor Vehicle Classification</u>	<u>Annual Rate</u>	<u>Motor Vehicle Classification</u>	<u>Annual Rate</u>
5. Farm trailers		Vehicles with gross weight	
First five tons	\$3.00	of more than 27,000 lbs.	
Each additional ton . . .	\$2.00	First six years	100% of original tax
		Seventh and succeeding years	70% of original tax
6. Other trucks and tractors		7. Intercity buses	Varies with weight
Up to 75,000 lbs.	Varies with weight		\$125 - \$550
	\$25-\$1,038.50		Depreciation allow-
More than 75,000 lbs. . .	\$1,038.50, plus		ance beginning with
	\$34.50 for each ton		third year
	in excess of 75,000	8. Other trailers	\$4 per ton of carry-
	lbs.		ing capacity (\$4
Depreciation allowance			minimum)
Vehicles with gross weight		9. Recreational vehicles	
of 27,000 lbs. or less		0 - 24,000 lbs.	Varies with weight
First three years	100% of original tax		\$5 - \$120
Next three years	80% of original tax	More than 24,000 lbs. . . .	\$120, plus \$20 for
	(\$20 minimum)		each ton in excess
Next three years	60% of original tax		of 24,000 lbs.
	(\$16 minimum)		
Tenth and succeeding years	40% of original tax		
	(\$12 minimum)		

Depreciation allowance for vehicles 1,501 lbs. or more beginning with the fourth year.

The proceeds of the various taxes imposed on motor vehicles is collected by the registrar of motor vehicles, paid into the State Treasury and credited to the highway user tax distribution fund.

AIRFLIGHT PROPERTY TAX

An airflight property tax is imposed on the flight property of all air carriers engaging in air commerce in Minnesota under certificates issued by the Civil Aeronautics Board and of those carriers operating without a certificate who elect to be taxed under this tax rather than the 1% aircraft registration tax administered by the Department of Aeronautics. After the valuation of an air carrier's flight property has been determined, it is apportioned to Minnesota based on 1) 33-1/3% of the passenger, express and freight tonnage received and discharged in the state compared to the total within and without the state; 2) 33-1/3% of the time spent in flight in the state compared to the total flight time within and without the state, in equated plane hours; and 3) 33-1/3% of the number of revenue ton miles of passengers, mail, express and freight flown by the company in the state compared to the total revenue ton miles flown within and without the state.

An airline company may petition the Commissioner of Revenue for an alternative method than the one just described. The value so determined for Minnesota is then assessed at 33-1/3%.

The tax is the product of the assessed value times the average rate of property taxes throughout the state. The tax is due and payable on January 1 following the levy of the tax.

All proceeds from the airflight property tax are deposited in the State Treasury and credited to the airports fund.

Unemployment Insurance

The Minnesota Employment Services Law was enacted in a special session of the Minnesota legislature in December 1936, following the passage of the Federal Social Security Act in August 1935.

Every state and the District of Columbia have similar employment security laws.

Employers are covered if:

General business employers are covered if:

1. They have one or more workers in some part of a day in 20 different weeks in the current or preceding calendar year or:
2. They have a gross payroll of \$1,500.00 in any one calendar quarter in the current or preceding calendar year.

Agricultural employment is covered if the firm has four employees performing services in agricultural labor in some portion of a day in 20 different weeks in the current or preceding calendar year.

Employment by religious, education and charitable nonprofit organizations may be covered if they have one or more employees for some portion of a day for 20 calendar weeks in the current or preceding calendar years, however:

1. Employment that is exclusively for religious purposes is excluded.
2. Employment by private nonprofit schools meeting state educational requirements for grades kindergarten through 12 is excluded until July 1, 1977.
3. Employment by individuals enrolled in a rehabilitation program or those enrolled in a work relief or work training program involving state or federal funds are excluded from employment.
4. Some nonprofit organizations may elect to either reimburse the fund for unemployment benefits paid to former employees or to pay the contributions (taxes) based upon the organization's payroll.

Most employment by the State of Minnesota, its subdivisions and instrumentalities is covered if the governmental unit has one or more employees for some portion of a day for 20 different weeks in a calendar year.

Wages

The term "wages" means all remuneration for services whether paid in money or some other medium. It covers salaries, commissions, fees, profit sharing, bonuses or tips. If payment is made in any form other than money, the cash value of the remuneration is reportable as wages.

Exempt Payments

There are several kinds of payments not considered as "wages" and thus are not to be reported and taxed. Some of these are:

- payments by an employer to an employee who is on a leave of absence for military service;
- payments made to or on behalf of an employee under a plan or system providing sick leave pay, retirement, accident, medical, hospital or death benefits, if the plan covers all or a class of employees;
- payments made by an employer without deduction from the employee's wages of the employee's share of Social Security Taxes (F.I.C.A.).

Taxable Wages

Covered employers are taxed on the wages paid to every worker. During 1976 the first \$6,200 paid to every worker is subject to the tax. For subsequent years, 70% of the state's average annual wage, limited to \$6,500, will be taxable.

Contribution (Tax) Rates

The base rate under Minnesota Law is the state's three year benefit cost rate which varies from one year to the next but cannot be less than 1% nor more than 2.7%. The base rate for 1976 is 2.5%. This is the rate assigned to new employers that do not qualify for experience ratings. Experience rated employers may have a higher or lower contribution (tax) rate.

The minimum contribution rate is currently .9%. Effective annual minimum contribution rates are determined by the amount in the Unemployment Trust Fund. Legislatively determined trust fund balances establish the minimum rate for a particular year. The minimum rate is assigned to employers that have a "zero" experience ratio because of an absence of benefit charges to the individual employer account.

The maximum rate is 5%, except for employers that have an experience ratio in excess of 5% for the preceding three years; for those employers the maximum rate is 6%.

Contribution Rate Computation

Each employer with benefit charges against his account will have those charges used as a factor in the calculation of his "experience ratio." The "experience ratio" is obtained by calculating 1.25 times the total benefits charged in the experience period and dividing that product by the employer's total taxable payroll for the same period. This ratio is calculated to the nearest one-tenth of one percent (.1%) and is then added to the minimum rate to arrive at the employer's assigned rate for the calendar year. However, if the employer's experience ratio exceeds the preceding year's experience ratio by more than 1.5%, then the employer's rate increase for the current year is limited to 1.5%.

Experience Period

An employer receives a contribution rate based on his experience as an employer for the 36 month period ending on June 30 of the year preceding the calendar year to which the rating applies. An employer not having been liable under the law for that long a period may be rated on a shorter period of experience but not for less than a 12 month period ending on June 30 preceding the year to which the rating applies.

Workers' Compensation

In Minnesota most employers of one or more individuals are required to provide workers' compensation coverage for their workers to insure weekly compensation benefits and payment of medical expenses in cases of job injuries or work-incurred occupational diseases. Not covered by the law are household workers earning less than \$500.00 in any three-month period, farm laborers on family farms and railroad employees. The latter are protected under a different law. An employer provides workers' compensation coverage for his employees by purchase of insurance or by qualifying as a self-insurer under approval of the Workers' Compensation Division of the Department of Labor and Industry.

Workers' compensation insurance rates are adjusted annually and rate changes are subject to the approval of the Commissioner of the Insurance Div. of the State of Minnesota. Proposals for rate adjustments are made by the Minnesota Compensation Rating Bureau which represents all insurance companies writing workers' compensation insurance in the state. Rates are established for approximately 600 different work classifications and each is rated on the basis of its own experience coupled with the effect of any law amendments. The approval of rate adjustments by the Commissioner of Insurance follows public hearings during which testimony from representatives of labor, industry, insurance companies and other interested parties is received and considered.

Local Taxes

Property Taxes

Exempt Property

All property is subject to the property tax unless it is specifically exempted by the Constitution or the Minnesota Statutes.

Real property which is constitutionally exempt from the property tax includes educational, charitable and religious institutions, public property and Indian lands. Statutorily exempt personal property includes farm livestock; farm machinery; inventories, tools and machinery of service, retail, wholesale and manufacturing businesses; furnishings of rental units if the rental is subject to the sales tax; and containers in the possession of the consumer during consumption if the sale of the commodities is subject to the sales tax. In addition, a statutory option to exempt household goods (furniture, appliances, etc.) is granted to county boards. Since 1967, county boards have not exercised their options to tax household goods. Any real and personal property used primarily for the control of air, water or land pollution constructed after June 1, 1967, is exempt from property taxation to the extent that it is so used. Certain types of property of public service corporations are exempt from property tax because these firms are subject to the gross earnings taxes in lieu of property taxes.

In addition, banks, trusts and insurance companies are statutorily exempt from personal property taxes. Taconite, semi-taconite and copper-nickel mining industries are subject to production taxes in lieu of all ad valorem property taxation.

Determination of Market Value

Beginning with the 1976 assessment, assessors are to appraise at least one-fourth of the parcels of real property each year with reference to the property's value as of January 2. The maximum interval for the assessment of each parcel will be four years. Personal property is assessed annually on January 2. Constitutionally exempt property is valued every six years. The last exempt property valuation year was in 1974; the next will be in 1980.

Each county assessor, aided by deputy and local assessors, determines the market value of all land except state-assessed land in each county. Market value is the usual selling price of the property. The market value determined by the assessor is the base to which the appropriate classification ratio applies in arriving at assessed value.

The annual market value increase for any property for the 1975 and subsequent assessments is limited to 10% or one-fourth of the total

Determination of Market Value (continued)

amount of increase, whichever is greater. Increases of 10% or less are added in one year; increases of 10% to 40% are added 10% per year until full value is reached; if the increase is over 40%, it is added in four equal increments over the four year cycle.

If a taxpayer feels his property valuation is incorrect, there are recourses available to him through the Local Board of Review, the County Board of Equalization and the State Board of Equalization.

The state is responsible for the original assessment of electric transmission and distribution systems and pipeline systems distributing water, gas or petroleum products. All airflight property, i.e., commercial aircraft, is assessed by the state, as well as the real property of the Minneapolis-St. Paul International Airport. Minerals and unmined ore are also state-assessed.

Classification of Property - Determination of Assessed Value

When property is valued, it must be classified according to the legal classification system. The various statutory classification rates are then applied to the market value to determine the taxable value of the property. Real and personal property in Minnesota are classified as follows for the 1975 assessment for determination of taxes payable in 1976.

<u>REAL PROPERTY</u>		
<u>Class</u>	<u>Description</u>	<u>Percent of Market Value</u>
1	Unmined iron ore	50%
1A	"Low recovery" iron ore	30-48 1/2%
1B	Severed mineral interest tax	25¢/acre, \$2 minimum
3	Agricultural nonhomestead	33 1/3%
3	Commercial and noncommercial seasonal residential for recreational purposes ¹ . . .	33 1/3%
3	Tools, implements and machinery which are fixtures to public utility real property	33 1/3%
3B	Agricultural homestead: - First \$12,000 market value ² - Market value in excess of \$12,000	20% 33 1/3%
3C	Nonagricultural homestead: - First \$12,000 market value ² - Market value in excess of \$12,000	25% 40%
3CC	Paraplegic veteran's and blind person's and disabled person's homesteads ² - First \$24,000 of market value ² - Market value in excess of \$24,000 Agricultural Nonagricultural	5% 33 1/3% 40%

Classification of Property - Determination of Assessed Value (continued)

<u>Class</u>	<u>Description</u>	<u>Percent of Market Value</u>
3D	Nonhomestead residential	40%
	Examples:	
	1) Nonhomestead single family dwelling, duplexes, triplexes and dwellings with four or more units	
	2) Land of Title II of the National Housing Act	
3E	Timber land	20%
3H	Petroleum refineries real estate	43%
4	All other real property	43%
	Examples:	
	1) Commercial, industrial and public utility land and buildings	
	2) Noncommercial, nonindustrial, nonpublic utility vacant land	
None	Parking ramp structures in first class cities with 400,000 or less population	
	- 1975 assessment	36%
	- 1977 and subsequent assessments	43%
None	Housing for elderly or for low and moderate income families financed by direct federal loan, federally insured loan pursuant to Title II of the National Housing Act or financed by the Minnesota Housing Finance Agency for 15 years from the completion of original construction or substantial rehabilitation.	
	- Municipalities of 10,000 or more population (structures only)	20%
	- Municipalities of less than 10,000 population (structures only)	5%
None	Apartment buildings constructed of Type I and Type II fire resistant materials for a period of 40 years:	
	- Five stories or more (structures only)	25%
	- Four stories or less (structures only)	33 1/3%

PERSONAL PROPERTY

2A	Mobile homes	
	Homestead	
	First \$24,000 market value (3CC) ²	5%
	First \$12,000 market value (3C) ²	25%
	Market value in excess of \$24,000 (3CC) and \$12,000 (3C)	40%
	Nonhomestead	40%
3	Structures on leased public lands in rural areas .	33 1/3%
3	Tools, implements and machinery which are fixtures to public utility personal property	33 1/3%
3	Leased agricultural real estate on exempt land . .	33 1/3%
3F	Owner occupied residences on leased public or railroad lands	*

Classification of Property - Determination of Assessed Value (continued)

<u>Class</u>	<u>Description</u>	<u>Percent of Market Value</u>
4	Structures on leased public lands in urban areas and on railroad rights of way	43%
4	Leased all other (nonagricultural) real estate on exempt land	43%
4	Systems of electric, gas and water utilities . . .	43%
4	Billboards, advertising signs and devices	43%
1	Beginning with the 1973 assessment, real property used for more than 200 days in the preceding year may not be taxed as Class 3 property at 33 1/3%, but will be assessed at 43% of market value.	
2	Effective with the 1976 assessment and thereafter, the homestead credit base value of \$12,000 is increased by \$500 and the base value of \$24,000 of Class 3CC is increased \$1000 for each increase of 3.5% in the homestead value index. The index is a measure of inflation according to the statewide sale prices of homestead property.	
*	Buildings receive the classification rate as if they were homestead real property within the scope of Class 3B, 3C or 3CC, whichever is applicable.	

Determination of Tax

Budget Levy and Levy Limitations

Each local taxing district determines the amount of money needed to fund its various operations and uses this amount as a basis for determining its total property tax levy. This levy is subject to the levy limitations laws. There are two basic levy limitations laws, one pertains to local governments and the other to school districts. While the two laws are independent, they both restrict the amount of the levy.

Local government levy limitations limit the local districts, other than towns without village powers or cities with less than 2,500 population, to a 6% increase in levy limit base per capita over the levy limit base per capita in the previous levy year.

The levy limit also reflects the deduction of local government aids and attached machinery aids.

Special levies required for such purposes as supporting public pension plans or volunteer firemen's relief associations, preparing for or repairing the effects of a natural disaster, or paying for the cost of principal and interest on bonded indebtedness, are not included in determining levy limitations.

Limitations on school district levies vary with the type of district. The three basic formulas to be used beginning with the 1976-1977 school year are as follows:

Determination of Tax (continued)

A district with established expenditures equal to the state-wide average has a simple levy limit of 29 mills on the equalized assessed value of the district.

A district with established below average expenditures has a levy limit proportionately reduced from 29 mills.

A district with established above average expenditures is allowed to levy more than 29 mills, based on costs and certain aids.

The result of one of these formulas times the Equalization Aid Review Committee (EARC) value for the school district results in the basic levy limitation for maintenance purposes. This amount is also subject to reductions for agricultural differential mill rate school aid, attached machinery aid and, for some school districts, categorical aids.

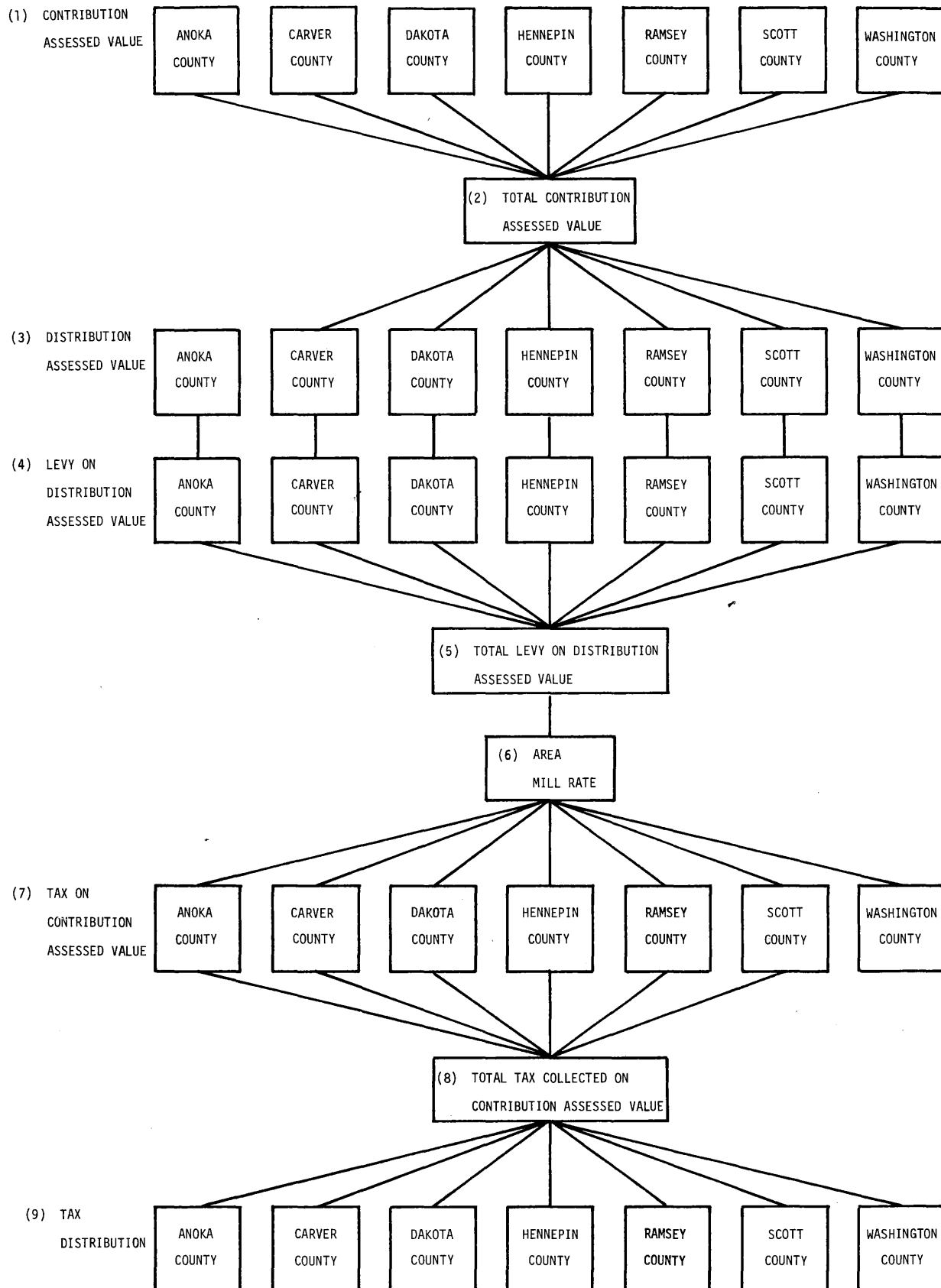
Mill Rates

After the final levy requirements of each taxing district are determined, they are spread against the respective assessed values to arrive at the mill rates required to generate the necessary revenue. Agricultural property owners receive the benefit of a 12 mill reduction in their school district rate for homestead property up to 120 acres and a 10 mill reduction for all other agricultural property and noncommercial seasonal recreational residential property.

The mill rate used in the seven-county metropolitan area surrounding Minneapolis and St. Paul has a special characteristic. The "Metropolitan Revenue Distribution Act," commonly referred to as the "fiscal disparities law," provides for the contribution to an area-wide tax base of 40% of the increase since 1971 in the assessed value of commercial-industrial property. The alteration of the tax base automatically changes the mill rates. The "contribution" values are taxed at the new area-wide mill rate and the resulting taxes distributed back to the taxing districts in the seven-county area via a distribution index based on market value of taxable real property (see pages 44-45). Although the law is extremely complex, it, in short, allows the entire metropolitan area to share in the growth of commercial-industrial property of any particular area. Although this law was enacted by the 1971 Legislature, it was not implemented until taxes were payable in 1975 because of testing its constitutionality.

Tax increment financing is another factor to be considered when levying mill rates. The mechanism of tax increment financing provides a growing tax base to finance renewal or renovation projects. There are three main types of tax increment financing allowable under

FISCAL DISPARITIES LAW SUMMARY



FISCAL DISPARITIES LAW SUMMARY

- (1) The contribution assessed value is 40% of the commercial-industrial assessed value increase over the 1971 level by assessment district.

NOTE: There are 210 assessment districts in the seven-county area.

- (2) Seven-county total of all of the contribution assessed values by assessment district.
- (3) Assessment district distribution of the total contribution assessed values. The distribution is based on a percentage distribution of the following fiscal capacity index of each assessment district:

$$\text{Index*} = \text{District Population} \times \frac{\text{Area Real Property Market Value Per Capita}}{\text{District Real Property Market Value Per Capita}} \times 2$$

*This index cannot be less than a district's population.

- (4) The governmental unit levy on distribution assessed value is determined as follows:

$$\text{Levy On Distribution Assessed Value} = \frac{\text{Governmental Unit}}{\text{Mill Rate*}} \times \frac{\text{Distribution Assessed Value}}{\text{Assessed Value}}$$

$$\text{*Mill Rate} = \frac{\text{Levy}}{\frac{\text{Assessed Value} - \text{Contribution Assessed Value} + \text{Distribution Assessed Value}}{\text{Assessed Value}}}$$

NOTE: There are 260 governmental units in the seven-county area.

- (5) Seven-county total levy on distribution assessed value.
- (6) The area mill rate is determined by dividing the seven-county total levy on distribution assessed value by the seven-county total contribution assessed value.
- (7) The tax on the contribution assessed value is not levied entirely on the commercial-industrial parcels of property having an assessed value increase. It is levied on all commercial-industrial parcels of property as follows:

$$\text{Parcel Area Tax} = \text{Assessed Value} \times \frac{\text{Assessment District Contribution Assessed Value}}{\text{Assessment District Total Commercial-Industrial Assessed Value}} \times \text{Area Mill Rate}$$

NOTE: Parcel Local Tax = (Assessed Value - Assessed Value subject to Area Rate) x Local Mill Rate

- (8) Seven-county total tax on contribution assessed value collected by parcel.

NOTE: If there were no commercial-industrial tax delinquencies, this total would equal the seven-county total levy on distribution assessed value.

- (9) The seven-county total tax collected on contribution assessed value is distributed to each governmental unit in accordance with its levy on distribution assessed value.

NOTE: If there were no commercial-industrial tax delinquencies in a governmental unit, the tax distributed to the governmental unit would equal its levy on distribution assessed value. Where there is a delinquency, the tax distribution to the governmental unit will be less than its levy on distribution assessed value by the amount of the delinquency.

Mill Rates (continued)

Minnesota law: 1) Housing and Redevelopment Authority projects, 2) Municipal Industrial Development projects and 3) Development Districts. Although these three types of tax increment financing have particular distinguishing characteristics, they all function on the same basis. The original value of the project area, before renewal, is used when calculating the mill rate. The tax levies are spread against the full value of the project area. Revenue obtained from the difference between the original and full values of the concerned property is distributed to the appropriate authority to finance the renewal project debt. As the value of the property increases, so will this "tax increment."

Homestead Credit

Beginning with taxes payable in 1974, taxes on homestead property are reduced by 45%, including the portion levied for payment of principal and interest on school district bonded indebtedness, but excluding all other bonded indebtedness levies. The maximum reduction is \$325, and agricultural homesteads are allowed the reduction on a maximum of 120 acres of land contiguous to the owner-occupied dwelling. The homestead credit is extended to personal property (mobile home) homesteads as well as to real property homesteads.

An additional 52% or 60% taconite homestead credit, depending on location, is extended to homesteads located in certain Iron Range areas, up to a maximum reduction of \$300 at 52% and \$350 at 60%.

The state directly reimburses the local units of government for the amount of homestead credit allowed.

Income-Adjusted Homestead Credit

The income-adjusted homestead credit provides for payment of a state credit for that portion of homestead property taxes exceeding a prescribed percentage of income. This credit is administered through the income tax system and is therefore explained in greater detail under the individual income tax.

Special Property Tax (Freeze) Credit

The special property tax credit freezes a taxpayer's net homestead property tax at the amount that it is when the taxpayer reaches age 65. This credit is administered through the income tax system and is therefore explained in greater detail under the individual income tax.

Special Assessments

Special assessments, which are also paid by property owners, involve the funding of such projects as streets, curbs, sidewalks, ditches

Special Assessments (continued)

and storm sewers. When any of these improvements is made to a person's property, that person is considered to have benefited directly by them. Improvements of this nature have no relationship to the value of the owner's property; rather, the amount needed for the project is determined on the basis of how much each property benefits. The determination of the mill rate and the individual's taxes due excludes the amounts needed for these types of special assessments. Amounts for special assessments are added to, but enumerated separately, the property owner's tax statement. They are not considered to be a tax on property.

Payment of the Tax

Property taxes may be paid to the county treasurer in two equal installments. One-half of the personal property tax must be paid by February 28 and the other half by June 30. Payment of one-half of the real estate tax is due by May 31 with the remainder due by October 31. The tax on mobile homes is due in full on August 31.

Distribution of the Tax

After the county treasurer collects property taxes, revenues are distributed to the local units of government (county, cities, towns, schools and special taxing districts) in proportion to the mill rates levied for those units in the respective county.

TREE GROWTH TAX

Owners of five acres or more of forest lands may apply to the county board of the county in which the lands are located to have forested land taxed under the tree growth tax law. Lands under this law must be used exclusively for the growing of continuous forest crops and must be open to public use for hunting and fishing.

Forest lands subject to taxation under the provisions of the Minnesota tree growth tax law are taxed at the following rates:

Lands growing commercial forest type are taxed at 30% of the value of the estimated average annual growth.

Temporarily nonproductive forest type is taxed at five cents per acre if reforestation is agreed to, or 15 cents per acre in the event of noncompliance with the reforestation agreement.

Permanently nonproductive lands are taxed at five cents per acre.

Lands used for management or administrative purposes are classified the same as adjoining lands under the tree growth tax law.

TREE GROWTH TAX (continued)

Camp or temporary buildings are treated as class 3 property.

Value of annual growth is equal to the average annual growth rate per acre for a type multiplied by the weighted average of the stumpage value of all species in the type.

The tree growth tax is paid in lieu of all other property taxes. The tax is annually extended by the county auditor and is collected and distributed in the same manner as for ad valorem taxes.

AUXILIARY FOREST TAX

Any tract of land containing 35 acres or more that is suitable for the growth of trees for the production of timber or forest products, or any wood lot containing five or more acres and fewer than 40 acres, may be made an auxiliary forest. The owner of such land files an application with the auditor of the county in which the land is located to have the land taxed as an auxiliary forest.

The annual rate of tax upon auxiliary forests is 10 cents per acre. This tax is levied and collected as are other taxes on real property and is due on or before May 31 of each year.

Timber in an auxiliary forest that is merchantable is taxed separately by a yield tax. This tax is equal to 40% of the full and true value of the merchantable timber on the stump at the cutting or removal of the timber for one year after March 31 following the filing date. The rate is then reduced 2% per year with a minimum rate of 10%.

The auxiliary forest tax is in lieu of all other property taxes on the land. Mineral interests, however, are assessed and taxed separately. The auxiliary forest tax is levied and collected in the same manner as other taxes on real estate and is credited to the funds of the taxing districts affected in the same proportion as other taxes.

SEVERED MINERAL INTERESTS TAX

Mineral or other similar interests in real estate owned separately from the interest in the surface of the real estate may be assessed and taxed separately from the surface interests. These interests are classified as Class 1B property and taxed at an annual rate of 25 cents per acre, with a minimum tax of \$2. Interests which are taxed under other laws concerning such interests and interests which are statutorily or constitutionally exempt from taxation are not subject to the tax.

Eighty percent of the proceeds of this tax are distributed in the same

SEVERED MINERAL INTERESTS TAX (continued)

manner as general property taxes. The remaining 20% of the tax revenue received is deposited in the state general fund and credited to the reservation residents loan accounts and the nonreservation residents loan accounts. These funds are used to provide loans to Indians for the purpose of starting or expanding a business.

Sales and Excise Taxes

LOCAL SALES TAX

The local sales tax is presently used in some form in five Minnesota cities. Duluth is the only city using a general "piggyback" sales and use tax of 1%. In addition, a 3% hotel-motel tax is levied in Duluth (hotels and motels are exempted from the 1% piggyback tax).

The local sales taxes in the other cities are selective as follows:

Bloomington.....	3% hotel-motel and admissions
Minneapolis*.....	3% admissions, amusement devices and transient lodging
Rochester*.....	3% hotel-motel
St. Paul.....	3% transient lodging

*Minneapolis and Rochester sales taxes are remitted to the state along with the state sales tax, and the revenues are distributed to the cities after costs of collection have been deducted.

Gross Earnings Taxes

UTILITY COMPANIES GROSS EARNINGS TAX

The cities of St. Paul and Minneapolis each levy a gross earnings tax against the earnings of utilities operating within the city. The St. Paul tax is 8% of the gross earnings of gas, electric and steam utilities derived from within the city. The Minneapolis utility franchise tax is 3% of the gross revenue of gas and electric utilities derived from within the city.

TRUST COMPANIES GROSS EARNINGS TAX

Trust companies are required to pay a tax of 6% of their gross earnings to the counties in which their principal place of business is located. The revenue derived from the tax is distributed to local government units in the same manner as the general property tax.

Severance Taxes

SAND AND GRAVEL OCCUPATION TAX

Three Minnesota counties impose a sand and gravel occupation tax on persons who are in the business of removing gravel from gravel pits.

Both the maximum rate of 5 cents per cubic yard and the distribution of proceeds, 90% to the county road and bridge fund and 10% to the reserve fund for restoration of abandoned gravel pits, are the same for Clay, Norman and Wilkin counties.

State Aids to Local Governments

LOCAL GOVERNMENT AID

The 1975 Minnesota Legislature enacted a law which provides for local government aid payments in 1976 and 1977. This law is a continuation of and a modification to the original Local Government Aid Law enacted by the 1971 Minnesota Legislature which provided for aid payment in 1972 and 1973 as a replacement for Exempt Property Reimbursement and Sales Tax Per Capita Aids, aids originated by the 1967 Minnesota Legislature as part of the Tax Reform and Relief Act of 1967. The Local Government Aid distribution in 1974 incorporated a number of smaller aids, including the cigarette and liquor tax per capita aids, the bank excise tax aid, the railroad gross earnings tax aid, the mortgage registry tax aid for cities and town, and for county governments the reduction in the mortgage registry tax aid and the inheritance tax aid. Local Government Aids are paid to county governments, cities, towns and special taxing districts four times a year.

The 1975 Local Government Aid Law is summarized as follows:

1. Each county in 1976 receives \$42 per capita on the basis of the 1970 Federal Census of the county. It is distributed to the respective county governments and cities, townships and certain special taxing districts within each county. The seven metropolitan counties surrounding the cities of Minneapolis and St. Paul (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington) are treated as one area for the purpose of distributing Local Government Aid.
2. Special taxing districts and county governments receive in 1976 the same amount of Local Government Aid that they were entitled to receive in 1975, with the exception of the Hennepin, Ramsey and St. Louis county governments. They receive no Local Government Aid in 1976 since they receive a substantial increase in reimbursement for welfare expenditures. In 1976, the state pays for 90% of the non federal share of medical assistance for indigents.
3. The balance of the Local Government Aid distribution to a nonmetropolitan area, after the county government and special taxing district apportionments are removed, is distributed to the cities and towns within such nonmetropolitan county or the seven county metropolitan area. The distribution to a city or town is based on the percentage that the product of a city's or town's 1970 population, average mill rate for levy years 1972, 1973 and 1974 (the sum of the 1972, 1973 and 1974 levy year's mill rates divided by 3) and 1974 aggregate sales ratio (of the 1974 assessor's limited market value to the sales price or appraised value of 1972, 1973 and 1974 property sales and appraisals) is of the

LOCAL GOVERNMENT AID (continued)

total of these products for all of the cities and towns in the county or metropolitan county area.

4. The minimum 1976 Local Government Aid is equal to the 1975 Local Government Aid that a governmental unit was entitled to receive. Adjustments are necessary to bring those cities and towns whose preliminary aid calculations are below their minimum Local Government Aids up to their minimums. This is done by proportionately reducing the Local Government Aids of the cities and towns in the respective counties or seven county metropolitan area which are above their minimum Local Government Aids. More than one adjustment may be necessary to complete this process.
5. The Local Government Aids to be paid in 1977 will be based on \$45 per capita with similar restrictions to those in parts 1 through 4.

ATTACHED MACHINERY AID

The 1973 Legislature exempted from taxation certain real property which was ponderous, nonutility equipment (attached machinery). At the same time a replacement aid was established to offset this loss of taxable value. The county, city and township governments receive each year from the state an amount equal to the product of its total mill rate in levy year 1972 (taxes payable in 1973) and the total 1972 assessed value of exempt attached machinery within the territory of each respective governmental unit. This aid is paid in two parts each year, on July 15 and November 15.

SCHOOL DISTRICT ATTACHED MACHINERY AID

School districts receive an aid as a result of the 1973 Legislature's exemption of ponderous, nonutility equipment (attached machinery). The amount of aid paid by the state is equal to the product of each district's 1972 assessed value of the exempted property times the sum of its levy year 1972, payable 1973, mill rates for (1) capital outlay, (2) principal and interest on bonds, (3) principal and interest on debt service loans, (4) principal and interest on capital loans, (5) teacher retirement and (6) certain additional maintenance costs. This aid is paid in two parts each year, on July 15 and November 15.

AID TO SCHOOL DISTRICTS FOR AGRICULTURAL MILL RATE DIFFERENTIAL

School districts which include agricultural lands or other real estate devoted to temporary and seasonal residential occupancy for recreational purposes receive state aid equivalent in amount to the money that would be produced by applying an ad valorem tax rate of 12 mills on the property receiving homestead credit, and 10 mills on all other agricultural lands and all real estate devoted to temporary and seasonal residential occupancy for recreational purposes, but not devoted to commercial purposes. This payment is made in two parts each year, on July 15 and November 15.

HOMESTEAD CREDIT

Taxes on homestead property are reduced by 45%, including the portion levied for payment of principal and interest on school district bonded indebtedness, but excluding all other bonded indebtedness levies. The maximum reduction is \$325, and agricultural homesteads are allowed the reduction on a maximum of 120 acres of land contiguous to the owner-occupied dwelling. Homestead credit is extended to personal property homesteads (mobile homes) as well as to real property homesteads.

An additional 52% or 60% taconite homestead credit, depending on location, is extended to homesteads located in certain Iron Range areas up to a maximum reduction of \$300 at 52% and \$350 at 60%. On agricultural homesteads, this reduction is limited to the first 80 acres.

The county auditor subtracts the amount of homestead credit from the taxpayer's bill and he pays only the net amount. The state then reimburses each unit of government for the homestead credit allowed twice each year, on July 15 and November 15. The taconite homestead credit is paid on June 15 and November 15 to the involved counties who then apportion the money to the necessary taxing districts.

INHERITANCE TAX AID

Ten percent of the net inheritance and estate tax collected by the state is distributed to the county governments and credited to each county's general revenue fund. The payment is made on or before the first of November each year for the collections made during the fiscal year ending June 30.

MORTGAGE REGISTRY TAX AID

The mortgage registry tax is paid at the local level to the county treasurer. Ninety-five percent of the proceeds is remitted to the state's general revenue fund, and the remaining 5% is retained by the county in its general revenue fund.

TACONITE TAX AIDS

Taxes on the taconite industry in Minnesota are returned back to the local units of government under the following aids.

Taconite Railroad Gross Earnings Tax Aid:

The distribution of the taconite railroad gross earnings tax receipts is based on the location of railway operations as follows: 50% to the school district; 22% to the city or town, 22% to the county; and 6% to the state.

If the railways are operated in more than one taxing district, 40% of

TACONITE TAX AIDS (continued)

the aids goes to each taxing district wherein the terminal facilities are located, at each end of the railway line. The taxing districts within which the trackage between terminals is located receive the remaining 20% of the aids, with consideration given to the extent of operations performed in each.

The amounts of aid the unorganized territory would receive for taconite railroads operating in unorganized territories is distributed 70% to the school district involved and 30% to the county, in addition to what the school district and county would normally receive.

These aids are deducted from the ad valorem levy of the governmental subdivision which receives them, on a proportionate basis for each fund.

The aid payments are made twice each year, on March 15 and September 15.

Taconite Production Tax Aids:

The local share of the taconite production tax is distributed to taxing districts in which taconite was mined or quarried. This distribution is as follows:

- a. 47% to the taconite property tax relief account;
- b. 11.5% to the county government;
- c. 11.5% to the city or town;
- d. 27% to the school district;
- e. 3% to the state.

An additional tax of 10 cents per ton of concentrate produced during 1975 and 1976 is distributed as follows:

- a. 1¢ to the county road and bridge fund;
- b. 1¢ to the Iron Range Resources and Rehabilitation Commission;
- c. 3¢ to the taconite property tax relief account;
- d. 5¢ to the taconite municipal aid account.

A second additional tax of 39 cents per ton is distributed as follows:

- a. 10¢ to the county;
- b. 20¢ to the school district;

TACONITE TAX AIDS (continued)

- c. 1¢ to the Iron Range Resources and Rehabilitation Commission;
- d. 8¢ to the taconite homestead property tax relief account.

The majority of aids to local taxing districts resulting from the taconite production tax are paid annually on or before May 15. The taconite municipal aids are paid annually on or before September 15. The taconite homestead property tax relief is paid to the counties involved twice each year, on June 15 and November 15; the counties then apportion the money to the affected taxing districts.

Taconite Occupation Tax Aid:

The collections from the occupation tax were distributed as follows: 90% to the general fund and 10% for support of the University. Prior to Jan. 1, 1976, of the 90% credited to the general fund, 25% was to be used for local aids in the following proportion: 12.5% to the school district in which the taconite operations were conducted; 6.25% to the county in which taconite operations were conducted; and 6.25% to the city or town in which taconite operations were conducted.

EDUCATION

Outlined below are three major aids administered by the Department of Education.

Foundation Aid

The formula used to compute the amount of foundation aid payable to a school district incorporates a basic allowable expenditure per "pupil unit" set by the state, the local tax support for schools, the amount of certain other aids the district will receive, and the concept of different amounts of aid for different levels of students or for particular school aid formula are used to equalize educational opportunities for students throughout the state. These differing amounts of aid are calculated by using pupil units.

A pupil unit weighting of 0.5 is counted for each child in kindergarten, 1.0 in grades 1 through 6, 1.4 in grades 7 through 12 and 1.5 in Area Vocational-Technical Institutes (AVTI). Beginning in 1976-77 there will no longer be a pupil unit weighting in this formula for AVTI students. AVTIs will be funded under a new formula separate from the elementary and secondary foundation aid formula.

An additional 0.5 pupil unit is counted for each child from a family receiving welfare under Aid to Families with Dependent Children (AFDC). In addition to the regular 0.5 AFDC units, there is another weighting

EDUCATION (continued)

for districts with a high concentration of AFDC students. If there is more than a 5% concentration of AFDC students in the district (that is, if more than 5% of the total enrollment come from AFDC homes), an additional 0.1 unit is counted for each AFDC child for each percent of concentration over 5%. Not more than 0.6 units per child may be added to the regular AFDC units under this concentration provision. For purposes of this calculation, the percent of concentration is rounded down. Thus, if a district has 6.5% it is counted as 6%, not 7%. Under this formula, additional AFDC concentration weightings will be as follows:

5 to 6%	=0.1
6 to 7%	=0.2
7 to 8%	=0.3
8 to 9%	=0.4
9 to 10%	=0.5
over 10%	=0.6

Districts which record a decrease in pupil units from one year to another forfeit 0.4 of a unit instead of 1.0 unit for each unit of decrease; districts which record an increase of 2% or more are credited with an additional 0.1 unit for each unit of increase for each percent of increase. Not more than 0.5 units per unit of increase may be added under this provision. For example, if a district increased 4% it would be credited with 0.4 units for each unit increased.

For the 1975-1976 aid formula the adjusted maintenance cost per pupil unit was set at \$900 less an amount (representing local effort) computed by applying a 30 mill rate to the 1973 adjusted assessed valuation (Equalization Aid Review Committee) of the district. This provides an increase of \$75 for the average or high cost school districts. For the low-cost districts (those having an adjusted maintenance cost per pupil unit less than \$663 in 1970-71) the foundation aid and levy entitlements are reduced proportionately. However, the low cost districts are permitted to increase their adjusted maintenance cost more than the average or high cost districts in order to bring the low cost districts up to the state average. Thus the low cost district is allowed to increase its adjusted maintenance cost for 1975-76 by one-half of the difference between its 1974-75 cost and \$900 if this difference is more than the \$75 increase of the regular formula.

For the 1976-1977 formula the maximum foundation aid amount is \$960, and the 1974 EARC valuation is used in computing the mill reduction. This is a \$60 increase for the average or high cost district. The required local effort is changed to 29 mills beginning with the tax levy certified in 1975 to be collected in 1976 which is applied to the aid formula for 1976-77. For the low cost district, the district has the option of taking two-thirds of the difference between the 1975-76 adjusted maintenance cost and \$960, or \$60, whichever is greater. A high cost district is permitted to make an excess levy,

EDUCATION (continued).

sometimes called a "grandfather levy", in addition to the required 30 mills or 29 mills. The amount of this levy is determined by multiplying the dollars per pupil that the district was over the state average in 1970-71 times the number of pupils in the district for the current year.

Transportation Aid

To provide funds for transportation services eligible for state aid, school districts are required to levy 1 mill of local property tax on the EARC valuation. For 1975-76, the state will then pay the remainder of the cost per pupil times the number of eligible pupils transported, but no more than 118% of the actual per pupil cost in 1973-74. The percentage limit on state transportation aid for 1976-77 is 124% of the 1973-74 costs. The state also pays depreciation aid on the school bus fleet at the rate of 12.5% per year of the net cost of the fleet.

Additional funding is provided for exceptionally high cost handicapped transportation. For 1975-76, if these costs are more than 128% of the 1973-74 costs for the same services, the state will pay 80% of the amount over 128%. For 1976-77, the state will pay 80% of the amount over 134% of the 1973-74 costs.

Vocational Aid

Secondary and adult vocational aids pay up to 50% and 75%, respectively, of teachers' salaries, travel, supplies and equipment for programs in these areas that lead to occupational competencies. Beginning in 1976-77, post-secondary vocational programs will be funded through several new aids. Schools will receive post-secondary vocational foundation aid of \$2,000 per student in average daily membership, less local levies of 0.5 mill in Minneapolis, St. Paul, suburban Hennepin County, Dakota County and District 916 area vocational schools, and 1 mill in all other schools. These mills are based on the EARC valuation. Districts have authority to levy up to a maximum of 1 mill in the first list of schools and 3 mills in all others for purposes of post-secondary vocational education. Districts may also receive categorical aid for high cost programs and aid for capital expenditures distributed by the Department of Education through a public hearing process, as well as debt service aid at the same percent of debt service costs that have been funded by the state on the average over the past three years. For persons up to age 21, courses in post-secondary schools are free; charges for students over age 21 are set at \$2 per day for Minnesota residents and \$5 per day for out-of-state students.

WELFARE

The Department of Welfare supports a variety of programs. A combination of federal, state and county funds is used to finance the activities and services which are rendered.

WELFARE (continued)

Three major program areas constitute 59.4% of the 1975-1977 biennium welfare appropriations made by the State Legislature.

First, the three public assistance programs are Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) and Medical Assistance. (1) AFDC is provided through counties to the qualifying families. Eligibility involves low or no income and lack of other assets. The federal government pays about 57% of this cost; the state pays half of the remainder and the counties the other half through the property tax levy. (2) SSI is paid to Minnesota residents who are aged, blind or disabled and get welfare aid directly from the federal government. The supplements are financed 50% by the state and 50% by the county. The supplements are paid because these government supports are less than were paid to these welfare recipients under the state program before it was taken over by the federal government. (3) Medical Assistance payments are made to medical vendors (nursing home operators, physicians, dentists, druggists, etc.) on behalf of welfare recipients and others who are eligible because of a combination of lack of resources to pay for medical care as determined by statutory schedule and rules and regulations. The federal government finances about 57% of this, the state finances 90% of the remainder and the county finances the rest.

Secondly, two general assistance programs are also in operation. General Assistance Maintenance consists of cash payments to eligible poor persons who do not qualify for AFDC or SSI aids. This program is financed 50% from state funds and 50% from local funds. General Assistance Medical payments are made to medical vendors on behalf of medically indigent persons who do not qualify for federally assisted aid because they do not qualify as present or potential AFDC or SSI recipients. The state finances 90% of this program and the counties finance 10%.

Thirdly, the state covers the 50% reimbursement of allowable county administrative expenses for public assistance programs.

Another large portion of the 1975-1977 welfare appropriation (26.5%) goes to institutions. There are 10 state hospital complexes located at Anoka, Fergus Falls, Hastings, Moose Lake, Rochester, St. Peter, Willmar, Faribault, Brainerd and Cambridge (including the Children's Home at Lake Owasso). The budgeted population for the state hospitals is estimated at 5,590 in fiscal 1976 and 5,315 in fiscal 1977. The actual annual average population for fiscal 1974 was 6,282.

There are two special schools in the state--the Braille and Sight Saving School and the School for the Deaf. The biennium appropriations included money to rehabilitate Dow Hall at the Braille and Sight Saving School. The budgeted populations for 1975-77 are 75 for the Braille and Sight Saving School, and 230 for the School for the Deaf.

WELFARE (continued)

Two state operated nursing homes are also in operation, Ah-Gwah-Ching Nursing Home with an estimated 1975-1977 budgeted patient population of 425, and the Glen Lake Sanatorium and Oak Terrace Nursing Home with an estimated population of 350.

The remainder of the Department of Welfare's activities go to residential services, community mental health centers, daytime activity centers, administration, program support, centralized disbursements and others.

HIGHWAYS AND MASS TRANSIT

The care of the more than 12,000 miles of state trunk highways in Minnesota involves continual planning, construction and maintenance. In addition, there are approximately 30,000 miles of county state aid highways, 15,000 miles of county roads, 56,000 miles of township roads, 12,000 miles of municipal streets and 2,000 miles of Indian reservation and other federal roads. A combination of local, state and federal funds finances these roads.

The revenue from the 1975-1977 trunk highway fund is appropriated as follows: 57.4% for the Highway Department, 12.2% for the Public Safety Department, 7.9% for debt service on trunk highway bonds, 8.0% reserve for material and salary increases, .6% transfer to the general fund, and 13.9% is available by open appropriation authority to be used primarily for highway construction contracts. Proceeds from the gasoline and motor vehicle registration taxes are the major sources of revenue for these activities.

In addition, state aids financed from gasoline and motor vehicle registration taxes are distributed to the County State-Aid Highway Fund and the Municipal State-Aid Street Fund for highway and local street work outside the trunk highway and interstate systems.

Mass transit is also a concern of the citizens which is financed by the state. The 1975 Legislature appropriated money as supplements to the public transit aid program and the public transit demonstration program. Funds were also appropriated to the Metropolitan Council for an Interstate Transit Study and the State Planning Agency for administering the public transit aid and demonstration programs. The 1975 Legislature also appropriated money to enable the Department of Highways to complete its 1975 fiscal year construction program.

Business Licenses and Permits

Note: The references given in parentheses refer to listings in the 1974 Minnesota Statutes. Material presented here is only the beginning of the respective sources of information.

1. ABSTRACTORS (386.61)
State Board of Abstractors, First Certificate--\$50.00, \$25.00 annually.
2. ACCOUNTANTS, CERTIFIED PUBLIC (326.17)
State Board of Accountancy, Examination fee--\$50.00, \$10.00 annually.
3. AERONAUTICS
Department of Aeronautics
 - A. Aircraft Dealer's License (360.63)
Dealers using an aircraft for purpose of demonstration in the State of Minnesota--\$5.00 annually.
 - B. Aircraft Registration (360.511)
Using airports and airspace overlying the State of Minnesota. In lieu of all other taxes except sales and use tax--1% of value subject to annual depreciation.
 - C. Airports (360.018)
Privilege of operating airports, restricted landing areas or other landing facilities in the State of Minnesota--\$5.00 annually.
 - D. Commercial Operation (360.018)
Privilege of being engaged in commercial operations in the State of Minnesota --\$10.00 annually.
4. ALCOHOLIC BEVERAGES
Department of Public Safety
Liquor Control Division
 - A. Brand Label (340.62)
Privilege of importing and selling brands of distilled spirits, wines and fermented malt beverages in the State of Minnesota--\$10.00 per label.
 - B. Malt Beverages--Minnesota (340.11, .401)
Privilege of selling malt beverages, both strong and 3.2 on a wholesale basis in the State of Minnesota strong--\$200.00 annually, Duplicate--\$15.00, Transfer--\$10.00, 3.2--\$10.00 annually.
 - C. Malt Beverages--Out of State (340.493)
Privilege of selling malt beverages, both strong and 3.2 on a wholesale basis in the State of Minnesota and shipping same into Minnesota--\$100.00 annually.
 - D. Common Carrier--Malt Beverages--3.2 (340.02)
Privilege of selling non-intoxicating malt beverages (3.2 beer) on a common carrier in the State of Minnesota--\$25.00 annually, \$2.00 duplicate.
 - E. Common Carrier--Distilled Spirits/Wine (340.11)
Privilege of selling distilled spirits and wine on a common carrier in the State of Minnesota--\$100.00 annually, \$10.00 duplicate, Sunday liquor--\$50.00, Sunday duplicate--\$5.00
 - F. Distilled Spirits and Wine (340.11)
Privilege of manufacturing and wholesaling distilled spirits and wine in and out of the State of Minnesota--\$5,000.00 annually, in Minnesota, Duplicate--\$3,000.00, Out of State--\$150.00
 - G. Regulatory Permit Vehicle--Transportation (340.09)
Permission to transport liquor by motor vehicle in the State of Minnesota--\$5.00 annually.
 - H. Brewers--Minnesota (340.402)
Privilege of brewing malt liquors in the State of Minnesota--\$1,000.00 annually.
 - I. Brewers--Out of State (340.493)
Privilege of brewing malt liquors outside the State of Minnesota for sale in Minnesota--\$100.00 annually.
 - J. Regulatory Permits--Miscellaneous (340.09)
Permission for a doctor, food manufacturer, hospital to sell alcohol and to import or purchase alcohol in the State of Minnesota --\$5.00 annually.
 - K. Pharmacists (340.18)
Privilege of pharmacists selling intoxicating liquor for medicinal use on prescriptions in the State of Minnesota--\$5.00 annually.
 - L. Statutory Permit--Consumption and Display (340.119)
Restriction of serving or displaying liquor in a private club or public place in the State of Minnesota--\$100.00 annually.
 - M. Regulatory Permit--Identification Cards (340.09)
For proving identity of a distillery representative, retailer, or salesman for the State of Minnesota--\$5.00 annually.

- N. Wine (340.11)
Privilege of manufacturing wine or selling wine at wholesale in the State of Minnesota --\$500.00 annually.
5. ANTIFREEZE (24.25)
Department of Agriculture
Privilege of offering antifreeze products for sale in the State of Minnesota--Annual registration and inspection fee \$30.00 for each product.
6. APIARIES (19.19)
Department of Agriculture
Bees--Annual registration, \$5.00, plus 15 cents per colony.
7. ARCHITECTS, ENGINEERS, LAND-SURVEYORS and LANDSCAPE ARCHITECTS (326.02)
Board of Registration of Architecture, Engineering, Land Surveying and Landscape Architecture. Permission to practice the profession of architecture, engineering, land-surveying or landscape architecture--Examination--\$100.00, \$15.00 annually.
8. ATTORNEYS (481.01)
State Board of Law Examiners
Privilege of practicing as an attorney at law in the State of Minnesota--Examination--\$50.00, \$25.00 annually.
9. BEVERAGES (34.02)
Department of Agriculture
Privilege of manufacturing, mixing, or compounding soft drinks or other non-alcoholic beverages in the State of Minnesota--\$100.00 annually.
10. BOILER INSPECTION (183.545)
Department of Labor and Industry
A. Inspection Fees
Steam Boiler--\$10.00-\$15.00 annually,
Pressure Vessels--\$4.00-\$6.00 annually,
Boats--\$5.00-\$10.00 annually.
B. Exemption Certificates--\$3.00 annually.
C. Licenses
Operating Engineer--\$5.00-\$16.00 initial fee, \$4.00-\$6.00 annually, Pilot--\$5.00 initial fee, \$3.00 annually.
11. BOXING EXHIBITIONS (341.10)
State Athletic Commission
Any person conducting a boxing or sparring exhibition must obtain a license from the boxing commission. The annual license fees are as follows for the stated municipality population:
Less than 10,000 - - - - - \$ 10.00
10,000 or more but less than 100,000,
amateur - - - - - \$ 10.00
professional - - - - - \$150.00
100,000 or more but less than 150,000,
amateur - - - - - \$ 50.00
professional - - - - - \$500.00
150,000 or more,
amateur - - - - - \$ 50.00
professional - - - - - \$750.00
12. CHARTER APPLICATIONS (45.04)
Department of Commerce
Privilege to charter a bank, savings bank or trust company in the State of Minnesota--Application \$1,000.00, Investigation--\$500.00.
13. CHIROPRACTORS (148.01)
State Board of Chiropractic Examiners
Privilege of Practicing as a chiropractor in the State of Minnesota--Examination--\$50.00, \$25.00 annually.
14. CIGARETTE AND TOBACCO PRODUCTS
Department of Revenue
A. Cigarette Distribution (297.04)
Privilege of being a distributor or sub-jobber of cigarettes in Minnesota--distributor--\$150.00 annually, subjobber--\$12.00 annually.
B. Cigarette Wholesalers Fee (325.75)
Defray administrative costs of Unfair Cigarette Sales Act in the State of Minnesota--wholesalers--\$100.00 annually, sub-jobber--\$43.75 annually.
C. Tobacco Products Distributors (297.33)
Privilege of being a distributor or sub-jobber of tobacco products in Minnesota --distributors--\$37.50 annually, subjobber --\$10.00 annually.
15. COLLECTION AGENCIES (332.31)
Department of Commerce
Privilege of acting as a collection agency in the State of Minnesota--Agency license \$100.00 annually, initial investigation--\$100.00.
16. COMMISSION MERCHANTS (223.03)
Department of Public Service
Privilege of selling grain, hay or straw in the State of Minnesota--\$50.00 per year.
17. CORPORATIONS
Secretary of State
A. Domestic (300.49)
Privilege of conducting business as a Minnesota incorporated company--authorized shares --\$62.50 first \$25,000 or fraction thereof of par value. \$1.25 each additional

- \$1,000.00. Amendment of Articles--\$1.25 each \$1,000.00 of par value.
- B. Foreign (303.07)
Privilege of conducting business as a foreign corporation in the State of Minnesota--\$125.00 filing fee and other miscellaneous fees.
18. CREDIT UNIONS (52.01)
Department of Commerce
Privilege to charter a credit union in the State of Minnesota--\$100.00 application fee.
19. DEBT PRORATING AGENCIES (332.15)
Banking Division
Privilege of operating a debt prorating agency in the State of Minnesota--\$10.00 filing fee, \$50.00 investigation fee, \$100.00 for license with additional places of business each \$25.00 for license.
20. DENTISTS AND DENTAL HYGIENISTS (150A.07)
State Board of Dentistry
Privilege of practicing as a dentist or dental hygienist in the State of Minnesota--Dentist--\$50.00 license fee, \$25.00 annual renewal, Dental Hygienists--\$15.00 license fee, \$10.00 annual renewal.
21. DETECTIVE, PRIVATE (326.331)
Department of Public Safety
Privilege of engaging in the profession of a private detective in the State of Minnesota. Initial license: individual private detective, \$125.00; partnership or corporation private detective, \$250.00; individual protective agent, \$62.50; partnership or corporation agent, \$125.00. Renewal fees (every two years): less than 10 employees, \$50.00; 10-50 employees, \$75.00; 50-100 employees, \$100.00; 100-500 employees, \$500.00; 500 or more employees, \$1,000.00.
22. DRUG MANUFACTURERS AND WHOLESALERS, PHARMACIES AND PHARMACISTS
State Board of Pharmacy
A. Drug Manufacturers (151.01)
Privilege of manufacturing drugs in the State of Minnesota--\$50.00 annually.
B. Drug Wholesalers (151.01)
Privilege of operating as a drug wholesaler in the State of Minnesota--\$50.00 annually.
C. Pharmacies (151.01)
Privilege of operating a pharmacy or special permit store to sell and dispense drugs in the State of Minnesota--\$40.00 annually.
D. Pharmacists (151.01)
Privilege of practicing as a pharmacist in the State of Minnesota--Pharmacists--\$50.00 examination, \$20.00 annually; Assistant Pharmacists--\$3.00 annually, \$20.00 registration; Reciprocity fee \$100.00.
23. DRY CLEANERS (299I.04 and .06)
Department of Public Safety
Privilege of operating a business of dry cleaning or dry-dyeing in the State of Minnesota--filing and inspection--\$50.00 initial fee, \$10.00 renewal. Change of address or ownership--\$50.00.
24. EGG DEALERS
Department of Agriculture
A. Egg Breaking (28A.08)
Privilege of breaking eggs for resale in the State of Minnesota--\$50.00 annually for breaking eggs.
B. Egg Law Inspection (29.22)
Requirement that business handling eggs be inspected to meet standards set up by the State of Minnesota--\$5.00--\$200.00 annually.
C. Egg License (28A.08)
Privilege of operating a business of selling, dealing in or trading eggs in the State of Minnesota--\$15.00--\$30.00 annually for each place of business.
25. ELECTRICITY
State Board of Electricity
A. Electricians (326.241)
Privilege of practicing as a Master Electrician, Class B Master Electrician, Journeyman, Special Electrician, Installer, or Electrical Contractor in the State of Minnesota--Class "A" Master--\$35.00 annually, examination--\$35.00; Class "B" Master--\$20.00 annually, examination--\$20.00; Journeyman, special electrician, Installer--\$7.50 annually, examination--\$10.00; Contractor--\$10.00 annually.
B. Electricity Service Fees (325.241)
Inspection of electrical installation to assure compliance with standards of safety in the State of Minnesota--Fee--amount sufficient to defray cost of inspection.
26. EMPLOYMENT AGENCIES (184.29)
Department of Labor and Industry
Privilege of acting as an employment agent or counselor in the State of Minnesota--Employment Agent--\$200.00 annually, Counselor--\$10.00 examination fee, \$10.00 initial fee, \$5.00 annually, Manager--\$10.00 examination fee, \$10.00 initial fee, \$5.00 annually.
27. ENGINEERS--see Architects
28. EXAMINATION FEES (46.131)
Department of Commerce
Examination of financial institutions in the State of Minnesota--\$10.00 per man hour for each institution, subject to change on July 1 of each year.

29. FERTILIZERS (17.717)

Department of Agriculture

Privilege of selling fertilizer in the State of Minnesota--License \$50.00 annually for each location within the state and total of \$50.00 for all locations outside the state. Each mobile mechanical unit owned and operated by any one distributor licensed annually at \$50.00 for the first unit, \$25.00 for each additional unit. Inspection fee 10 cents per ton in 25-lb. packages or larger. Annual registration fee and inspection fee \$50.00 for each commercial fertilizer material sold as a small package (less than 25 lbs.) item or as specialty fertilizer. Registration and inspection fee \$50.00 for each brand of soil conditioner sold or distributed in the state.

30. FOOD VENDORS, PLANTS AND OTHER FOOD PRODUCTS (28A.08)

Department of Agriculture

- A. Animal and Poultry Slaughter or Processing Plants (Commercial establishments under U.S. Dept. of Agriculture supervision), \$50.00 annually. Custom slaughter or processor, under \$250,000.00 gross sales, \$15.00 annually; \$250,000.00-\$1 million gross sales, \$30.00 annually; more than \$1 million gross sales, \$50.00 annually.

- B. Cannery Inspection Fee (31.31)

To assure compliance of food and sanitary laws, rules and regulations in the State of Minnesota--\$100.00-\$2,500.00, not more than ½ cent per case of food packed. Exempted if under U. S. Dept. of Agriculture supervision.

- C. Canning License (31.31)

Privilege of operating a commercial cannery in the State of Minnesota--\$100.00 annually, \$50.00 annually if under U.S. Dept. of Agriculture supervision.

- D. Cold Storage (28.01)

Privilege of operating a cold storage warehouse in the State of Minnesota--\$100.00 annually.

- E. Feed (25.39)

Privilege of selling feeds in the State of Minnesota--Inspection fee 16 cents per ton in packages larger than 10 lbs. \$50.00 annual registration and inspection fee for each feed product distributed in packages of 10 lbs. or less.

- F. Food Broker (28A.08)

Privilege of operating as a food broker in the State of Minnesota--\$15.00 annually.

- G. Food Vendors (28A.09)

Privilege of doing business as a food or beverage vendor in the State of Minnesota--\$15.00 annually plus \$2.00 fee for first 100 locations, \$1.00 fee for locations thereafter (maximum fee of \$400.00).

- H. Hybrid Seed Field Corn Varieties (21.54)

Privilege to distribute hybrid seed field

corn varieties in the State of Minnesota--\$12.50 annual registration fee per variety.

- I. Retail Food Handler (28A.08)

Privilege of doing business as a retail food handler in the State of Minnesota--Under \$250,000.00 gross sales, \$15.00 annually; \$250,000.00-\$1 million gross sales, \$30.00 annually; more than \$1 million gross sales, \$50.00 annually.

- J. Salvage Food Processor (31.495)

Privilege of operating a food salvage operation in the State of Minnesota--\$100.00 annually.

- K. Wholesale Food Handler (28A.08)

Privilege of operating a wholesale food business in the State of Minnesota--\$30.00 annually.

- L. Wholesale Food Processor or Manufacturer (28A.08)

Privilege of operating as a wholesale food processor or manufacturer in the State of Minnesota--\$100.00 annually.

- M. Wholesale Produce Dealers (27.041)

Privilege of buying or selling anything having to do with the line of produce in the State of Minnesota--License on graduated rate: \$1.00-\$10,000 monthly business, \$25.00 license; \$10,000.00-\$50,000.00, \$50.00 license; \$50,000.00-\$100,000.00, \$75.00 license; more than \$100,000.00, \$100.00 license. Certified copy, \$5.00; identification card, \$1.00; truck sticker, \$1.00.

31. FUNERAL DIRECTOR, MORTICIANS

State Board of Health

- A. Funeral Director (149)

Privilege of practicing funeral directing in the State of Minnesota--\$25.00 examination fee, \$25.00 license, \$25.00 annual renewal.

- B. Morticians (149)

Privilege of practicing mortuary science in the State of Minnesota--\$50.00 examination fee, \$25.00 annually.

- C. Mortuary Science Trainee (149)

Privilege of training under a licensed sponsor to fulfill requirements for a license in the State of Minnesota--\$10.00 annually.

- D. Funeral Establishments (149.08)

Privilege of operating a funeral home in the State of Minnesota--\$35.00 annually.

32. FUR FARMS (17.35)

Department of Agriculture

Privilege of engaging in the business of a fur farmer in the State of Minnesota--\$10.00 annually.

33. GRAIN BUYERS AND INSPECTION

Department of Public Service

A. Grain Buyers (232.02)

(1) Operating a private local grain warehouse--\$25.00 annually.

(2) Operating a public local grain warehouse, annual license: \$30.00 for warehouse under 100,000 bushels capacity, \$45.00 for warehouse between 100,000 and 500,000, \$60.00 for warehouse over 500,000 bushels.

(3) Privilege of purchasing grain for purpose of resale by anyone other than a licensed warehouseman--\$20.00 annually.

B. Flax and Hay Buyers (223.12)

Privilege of purchasing flax straw, flax for or hay for the purpose of resale--\$25.00 annual license.

C. Public Terminal Warehouse (233.08)

Privilege of operating a public terminal (grain) warehouse, \$50.00 annual license for each elevator.

D. Grain Inspection and Weighing (233.27)

Inspecting, registering and weighing of grain in the State of Minnesota--Fee set by the Department of Agriculture.

34. HAIRDRESSING

State Board of Cosmetology (155.01)

A. Instructors--Senior--\$5.00 annually, Junior--\$1.00 annually.

B. Manager Operator--Original fee--\$10.00, \$6.50 renewal, \$2.00 delinquent fee.

C. Manicurist--\$4.00 annually, \$2.00 delinquent fee.

D. Operator--\$6.00 examination, \$5.00 renewal, \$1.00 delinquent fee.

E. Cosmetology Schools--\$250.00 original fee, \$50.00 renewal.

F. Hairdressing Shops--\$15.00 original fee, \$7.50 renewal.

35. HEALTH CARE FACILITIES (144.60)

State Board of Health

Hospitals, nursing homes and supervised living facilities--\$50.00 annually per institution, \$2.00 annually per licensed bed.

36. HOSPITAL ADMINISTRATORS (144.59)

State Board of Health

\$40.00 annually.

37. HOTELS, RESTAURANTS (157.03)

State Board of Health

Lodging establishments--\$7.50-\$25.00 annually, depending on number of sleeping rooms. Food and beverage establishments--\$7.00-\$30.00 annually, depending on number of employees.

38. ICE CREAM (see Food Vendors)

39. INDUSTRIAL LOAN AND THRIFT COMPANIES (53.03)

Department of Commerce

Industrial Loan and Thrift Companies

Privilege to charter an Industrial Loan and Thrift Company in the State of Minnesota--Application--\$500.00, Investigation--\$250.00.

40. INSURANCE PREMIUM FINANCE COMPANIES (59A.03)

Department of Commerce

Privilege of operating an insurance premium finance company in the State of Minnesota--\$250.00 investigation fee, \$100.00 annual license fee.

41. LAND SURVEYORS--(see Architects)

42. LIVESTOCK BUYERS (17A.04)

Department of Agriculture

Livestock Marketing Agencies and Public Stockyards

Privilege of operating a livestock marketing agency or public stockyard in the State of Minnesota--\$100.00 annually for each livestock market agency or public stockyard license, \$35.00 annually for each livestock dealer license, \$20.00 annually for each agent license.

43. LIVESTOCK WEIGHING (218.051)

Department of Public Service

Livestock Weighing

Weighing of livestock at public stockyards in the State of Minnesota--Fees set by the department.

44. MASSAGE PRACTITIONERS

State Board of Medical Examiners

Privilege of practicing as a masseur or masseuse in the State of Minnesota--\$25.00 examination, \$3.00 renewal.

45. MEDICAL EXAMINERS

State Board of Medical Examiners, Nurse, Optometrists

A. Midwives (148.30)--\$2.00 examination, \$1.00 license granted upon receiving diploma, \$1.00 annual renewal.

B. Nurse--Professional (148.171)--\$25.00 examination, \$3.00 annual renewal.

C. Nurses--Practical (148.29)--\$20.00 examination, \$3.00 annual renewal.

D. Optometrists--(148.52)--\$35.00 examination, \$25.00 annually, \$10.00 upon issuance of first certificate.

E. Physicians and Surgeons (147.01)--\$125.00 examination, \$20.00 renewal.

F. Physical Therapists (148.65)--\$15.00 examination, \$5.00 annual renewal.

G. Professional Corporations (319A.01)--\$100.00 first year, \$25.00 annual renewal.

46. MILK PRODUCTS (see Food Vendors)

47. MOTION PICTURES (299H.01)

Department of Public Safety

Privilege of conducting a moving picture machine or exhibiting moving pictures in the State of Minnesota--\$5.00 annually.

48. MOTOR CARRIER LICENSE AND FEES

Department of Revenue

A. Motor Carrier (296.17)

Licensing--\$10.00 for license, \$5.00 for trip permit which serves in lieu of license for motor carrier if he operates on Minnesota highways no more than three times in any one calendar year.

Department of Public Service

B. Motor Carrier Reciprocity (221.64)

Privilege of operating a non-Minnesota motor carrier within the State--Fees vary with State involved in reciprocal agreement.

C. Motor Carriers--Local Cartage (221.296)

Privilege of doing business as a local cartage carrier in Twin Cities metropolitan area--Filing fee--\$50.00, annual fee--\$75.00, \$100.00, \$150.00; plus \$5.00 per vehicle.

D. Motor Carriers--Regular Route (221.061)

Privilege of operating as a regular route common motor carrier--Certificate--\$75.00, transfer or lease of certificate--\$37.50.

E. Motor Carriers--Regular and Irregular Route (221.131)

Privilege of operating a motor vehicle in for-hire carriage--Permit vehicles--\$20.00 annually, regular route vehicles--\$20.00 annually, prorated on quarterly basis, filing fee--\$25.00.

49. MOTOR VEHICLE DEALERS, OPERATORS' LICENSE AND TAX

Department of Public Safety

A. Motor Vehicle Dealers (168.27)

Privilege of engaging in selling motor vehicles in the State of Minnesota--\$44.00 annually.

B. Motor Vehicle Operator's License (171.02)

Privilege of driving a motor vehicle on the streets and highways in the State of Minnesota.

Classified Licenses: Class C, \$5.00, valid 4 years; Class B, \$10.00, valid 4 years; Class A, \$15.00, valid 4 years; Duplicate, \$1.50; Instruction Permit, \$2.00, valid 1 year.

Classified Provisional: Class C, \$3.00, valid until 18th birthday; Class B, \$5.00, valid until 18th birthday.

State agency fee \$.50, Clerk of Court fee \$1.00.

50. NOTARIAL FEES

Office of the Governor (359.01)

Privilege of operating as a Notary Public within the State of Minnesota. Commissioning fee is \$10.00 renewable every 7 years and \$5.00 to register with the Clerk of Court.

51. NURSERY (18.48)

Department of Agriculture

Privilege of selling stock in the State of Minnesota. Fees: Nurseries, based on acreage, \$15.00-\$300.00; Dealers, based on gross sales, \$15.00-\$200.00; Greenhouses, \$25.00.

52. OPTOMETRISTS (See Medical Examiners)

53. PESTICIDES

Department of Agriculture

A. Spraying and Dusting (18.032)

Privilege of applying pesticides or plant growth control regulators for hire in the State of Minnesota--License, \$10.00 for each applicant; annual identification card fee, \$7.50 for applicant, \$7.50 for each additional card.

B. Structural Pest Control (18A.02)

Privilege of applying pesticides for hire in households and other structures in the State of Minnesota--\$15.00 annual fee for registration when applicant is licensed by political subdivision or municipality, \$75.00 if applicant not licensed; \$10.00 for initial license or registration for employee of person registered or licensed, \$6.00 annual renewal fee.

C. Economic Poisons and Devices (24.072)

Privilege to distribute economic poisons and devices in the State of Minnesota--\$10.00 annual registration fee for each product registered by any one firm, \$35.00 annual license for each dealer distributing restricted-use pesticides.

54. PETROLEUM PRODUCTS

Department of Revenue

A. Petroleum--Dealer Registration (296.07)

Privilege of engaging in the business of buying and selling petroleum products in the State of Minnesota--no fee.

B. Petroleum Distributors--(296.06)

Privilege of acting as a distributor of petroleum products in the State of Minnesota--\$5.00.

C. Petroleum Inspection Fee (296.13)

To insure that petroleum products meet specifications set up by law in the State of Minnesota--not to exceed 1³/₄ cents per 50 gallons.

D. Petroleum Transport Permit (296.10)

Privilege of transporting petroleum products within the State of Minnesota--no fee.

- E. Petroleum Trip Permit (296.17)
Privilege of operating a commercial motor vehicle for five days in Minnesota by a person not licensed as a motor carrier--\$5.00 for each permit not exceeding three in one year.
- F. Special Fuel and Bulk Purchases Licenses (296.12)
Privilege of acting as a special fuel dealer or bulk purchaser, \$5.00 annually.
55. PHARMACISTS--(see Drug Manufacturers)
56. PHYSICAL THERAPISTS--(see Medical Examiners)
57. PLUMBERS (326.42)
State Board of Health
Privilege of practicing as a plumber in the State of Minnesota--Master Plumber--\$40.00 annually, Journeyman--\$8.00 annually, \$25.00 examination fee.
58. PODIATRY (153.01)
State Board of Podiatry
Privilege of practicing podiatry in the State of Minnesota--\$50.00 examination, \$50.00 annual renewal.
59. PRIVATE BUSINESS TRADE AND CORRESPONDENCE SCHOOL SOLICITORS (141.26)
Department of Education
Privilege of soliciting business for a private business, trade or correspondence school in the State of Minnesota--\$75.00 annually.
60. PROTECTIVE AGENTS (326.331)
Department of Public Safety
Privilege of engaging in the profession of a protective agent in the State of Minnesota--Registration--\$62.50 individual, \$125.00 corporation, \$12.50 biennial renewal.
61. PSYCHOLOGY (148.91)
Certification by the State as qualified to use the title "Certified Psychologist" in the State of Minnesota--\$75.00 application, \$35.00 renewal biennially.
62. RESTAURANTS (see Hotels)
63. SAFE DEPOSIT COMPANIES (55.04)
Department of Commerce
Privilege of operating a safe deposit company in the State of Minnesota--\$25.00 for investigating and issuing this continuous license.
64. SALES AND USE TAX PERMITS (297A.05)
Department of Revenue
Permission to engage in the sale, use, storage or consumption of tangible personal property, tickets, admissions, meals, or drinks or the furnishing of lodging or utilities for a consideration in the State of Minnesota--\$1.00 for each permit applied for.
65. SALES FINANCE COMPANIES (168.67)
Department of Commerce
Privilege of doing business as a Sales Finance Company in the State of Minnesota--Principal place of business--\$100.00 annually, Branch Office--\$50.00 annually.
66. SAVINGS, BUILDING, LOAN AND TRUST COMPANIES
Department of Commerce
A. Savings Associations
Privilege to charter a Savings, Building and Loan Association in the State of Minnesota--Application--\$100.00, Investigation--\$100.00.
B. Small Loan Companies (56.02)
Privilege to charter a small loan company in the State of Minnesota--Investigation--\$250.00, License--\$150.00 annually.
67. SECURITIES COMMISSION REGISTRATION (80.07)
Department of Commerce
Privilege of offering securities for sale in the State of Minnesota--Qualification registration--\$35.00-\$500.00, Notification registration--\$15.00-\$200.00.
68. STEAMFITTERS (326.50)
Department of Labor and Industry
Privilege of working as a steamfitter in the State of Minnesota--Journeyman--\$15.00 initial fee, \$8.00 annually; Master steamfitter--\$50.00 initial fee, \$45.00 annually.
69. STOCKBROKERS, DEALER AND AGENTS (80A.28)
Department of Commerce
Privilege of offering for sale, selling or professing business of selling any securities in the State of Minnesota--Broker-Dealer--\$200.00 annually, Agents--\$50.00 annually, Investment Adviser--\$100.00 annually.
70. STORAGE WAREHOUSES (231.16)
Department of Public Service
Privilege of engaging in the business of a warehouseman (except for grain or cold storage) in the State of Minnesota. Fees from \$150.00-\$300.00 annually, depending on storage capacity.
71. TEACHER'S CERTIFICATES
Department of Education
Privilege of being certified as a member of the instructional or supervisory staff of a public school in the State of Minnesota--\$5.00 for each issuance, renewal or extension.
72. TEACHER'S EMPLOYMENT BUREAU (121.25)
Department of Education
Privilege of enrolling with the Teacher's Employment Bureau to secure information about teaching and administrative positions in schools--Enrollment--\$10.00 annually.

73. TRADE MARKS (333.18-31)

Secretary of State

Filing fee of \$18.00 for 10-year term to register trade mark. Renewal fee of \$12.00 for additional 10-year term.

74. TRADE SCHOOLS

Department of Education (141.25)

Privilege of operating a private trade school in the State of Minnesota--\$200.00 license fee, \$150.00 annual renewal.

75. UNIFORM COMMERCIAL CODE (336)

Secretary of State

76. VETERINARY EXAMINERS (156.01)

State Board of Veterinary Examiners

Privilege of practicing veterinary medicine in the State of Minnesota--\$50.00 examination, \$5.00 renewal per year, \$10.00 delinquent fee.

77. WATCHMAKING (326.01)

State Board of Watchmaking

Privilege of practicing watchmaking in the State of Minnesota--\$25.00 examination fee, \$15.00 annual renewal, \$7.50 incidental watch service fee, \$3.00 apprentice certificate, \$2.00 annual apprentice renewal fee, \$3.00--60 day permit.

78. WILD RICE (98.46)

License to harvest wild rice, issued to residents only, \$4.00. Dealer's license--\$50.00 for 50,000 pounds or less of rice bought or sold within the year; \$200.00 if the amount exceeds 50,000 pounds. Processor's license--\$200.00.

Minnesota State Tax Collections

Fiscal Years Ending June 30, 1974, and June 30, 1975

	Fiscal Year 1974				Fiscal Year 1975				Change in Net Amounts	
	Gross	Refund	Net	Net as % of Total	Gross	Refund	Net	Net as % of Total	Amount of Difference	Percent Change
Income Taxes										
*Individual	\$859,030,000	\$ 157,641,000	\$701,389,000	38.09%	\$976,593,000	\$169,485,000	\$807,108,000	39.96%	\$105,719,000	15.07%
*Corporation	187,216,000	12,487,000	174,729,000	9.49	199,004,000	18,522,000	180,482,000	8.94	5,753,000	3.29
*Bank Excise	16,529,000	921,000	15,608,000	.85	16,170,000	747,000	15,423,000	.76	-185,000	-1.19
*Employers Excise Tax	7,419,000	-0-	7,419,000	.40	15,240,000	60,000	15,180,000	.75	7,761,000	104.61
*Inheritance	30,142,000	385,000	29,757,000	1.62	39,705,000	496,000	39,209,000	1.94	9,452,000	31.76
*Gift	3,717,000	22,000	3,695,000	.20	2,500,000	18,000	2,482,000	.12	-1,213,000	-32.83
Sales and Excise Taxes										
*General Sales and Use	348,157,000(R)	862,000	347,295,000(R)	18.86	384,391,000	1,531,000	382,860,000	18.95	35,565,000	10.24
Motor Vehicle Excise	50,966,000(R)	-0-	50,966,000(R)	2.77	51,346,000	-0-	51,346,000	2.54	380,000	.75
*Highway Gasoline	153,356,000	10,715,000	142,641,000	7.75	152,169,000	9,723,000	142,446,000	7.05	-195,000	-.14
*Aviation Gasoline	2,143,000	435,000	1,708,000	.09	2,025,000	478,000	1,547,000	.08	-161,000	-9.43
*Intoxicating Liquor	40,208,000	-0-	40,208,000	2.18	39,887,000	-0-	39,887,000	1.97	-321,000	-.80
*Fermented Malt Beverage	8,825,000	-0-	8,825,000	.48	8,991,000	-0-	8,991,000	.45	166,000	1.88
*Cigarette	75,783,000	2,000	75,781,000	4.11	76,649,000	2,000	76,647,000	3.79	866,000	1.14
*Tobacco Products	2,085,000	1,000	2,084,000	.11	2,140,000	2,000	2,138,000	.11	54,000	2.59
*Oleomargarine	3,913,000	29,000	3,884,000	.21	1,666,000	159,000	1,507,000	.07	-2,377,000	-61.20
*Mortgage Registration	1,244,000	-0-	1,244,000	.07	4,672,000	-0-	4,672,000	.23	3,428,000	275.56
*Deed Transfer	4,730,000	7,000	4,723,000	.26	4,208,000	11,000	4,197,000	.21	-526,000	-11.14
Motor Vehicle Recycling	836,000	-0-	836,000	.05	816,000	-0-	816,000	.04	-20,000	-2.39
Gross Earnings Taxes										
*Telephone	26,951,000	2,000	26,949,000	1.46	29,300,000	-0-	29,300,000	1.45	2,351,000	8.72
*Telegraph	186,000	-0-	186,000	.01	280,000	-0-	280,000	.01	94,000	50.54
*Railroad, Regular	18,489,000	15,000	18,444,000	1.00	20,967,000	-0-	20,967,000	1.04	2,523,000	13.68
*Railroad, Taconite	2,614,000	-0-	2,614,000	.14	2,703,000	-0-	2,703,000	.13	89,000	3.40
*Express	6,000	-0-	6,000	**	-0-	-0-	-0-		-6,000	-100.00
*Freight Line	513,000	-0-	513,000	.03	550,000	-0-	550,000	.03	37,000	7.21
Insurance Premiums	30,550,000	-0-	30,550,000	1.66	33,481,000	-0-	33,481,000	1.66	2,931,000	9.59
State Fire Marshall	529,000	-0-	529,000	.03	561,000	-0-	561,000	.03	32,000	6.05
Firemen's Relief Surcharge	401,000	-0-	401,000	.02	401,000	-0-	401,000	.02	-0-	-0-
*Rural Electric Cooperatives	31,000	-0-	31,000	**	32,000	-0-	32,000	**	1,000	3.23
*Boxing Exhibition	14,000	-0-	14,000	**	18,000	-0-	18,000	**	4,000	28.57
Severance and Tonnage Taxes										
*Royalty Tax on Iron Ore	1,437,000	-0-	1,437,000	.08	1,532,000	-0-	1,532,000	.08	95,000	6.61
*Royalty Tax on Taconite	1,953,000	-0-	1,953,000	.11	2,356,000	-0-	2,356,000	.12	403,000	20.63
*Royalty Tax on Copper Nickel	2,000	-0-	2,000	**	2,000	-0-	2,000	**	-0-	100.00
*Occupation Tax on Iron Ore	8,958,000	-0-	8,958,000	.49	9,820,000	-0-	9,820,000	.49	862,000	9.62
*Occupation Tax on Taconite	6,885,000	-0-	6,885,000	.37	10,235,000	-0-	10,235,000	.51	3,350,000	48.66
*Taconite Tonnage (Production)	10,159,000	-0-	10,159,000	.55	11,952,000	-0-	11,952,000	.59	1,793,000	17.65
Property Taxes										
*Delinquent State Property tax	49,000	-0-	49,000	**	20,000	-0-	20,000	**	-29,000	-59.18
*Forfeited Property	5,000	-0-	5,000	**	2,000	-0-	2,000	**	-3,000	-60.00
In Lieu of Property Taxes										
Motor Vehicle Licenses	87,469,000(R)	498,000	86,971,000(R)	4.72	84,006,000	432,000	83,574,000	4.14	-3,397,000	-3.91
Aircraft	578,000	-0-	578,000	.03	627,000	-0-	627,000	.03	49,000	8.48
*Airflight Property	1,943,000	-0-	1,943,000	.11	2,334,000	-0-	2,334,000	.12	391,000	20.12
Licenses & Permits										
Motor Vehicle Operators	4,120,000(R)	-0-	4,120,000(R)	.22	3,859,000	-0-	3,859,000	.19	-261,000	-6.33
Corporation Filing Fees	712,000(R)	-0-	712,000(R)	.04	774,000	-0-	774,000	.04	62,000	8.71
Alcoholic Beverages	323,000	-0-	323,000	.02	342,000	-0-	342,000	.02	19,000	5.88
Amusements (Boxing)	7,000	-0-	7,000	**	7,000	-0-	7,000	**	-0-	-0-
Hunting & Fishing	9,138,000	-0-	9,138,000	.50	9,611,000	-0-	9,611,000	.48	473,000	5.18
Boat & Water Safety	987,000	-0-	987,000	.05	646,000	-0-	646,000	.03	-341,000	-34.55
*Cigarette Distributors	43,000	-0-	43,000	**	42,000	-0-	42,000	**	-1,000	-2.33
*Petroleum Inspection	844,000	-0-	844,000	.05	832,000	-0-	832,000	.04	-12,000	-1.42
*Petroleum Distribution	38,000	-0-	38,000	**	38,000	-0-	38,000	**	-0-	-0-
Occupation & Business Licenses & Permits Not Elsewhere Classified	13,448,000(R)	-0-	13,448,000(R)	.73	16,100,000	-0-	16,100,000	.80	2,652,000	19.72
Subtotals										
Collected by Dept. of Revenue	\$1,825,587,000(R)	\$183,524,000	\$1,642,063,000(R)	89.16%	\$2,019,025,000	\$201,234,000	\$1,817,791,000	89.99%	\$175,728,000	10.70%
Collected by Other Agencies	200,064,000(R)	498,000	199,566,000(R)	10.84	202,577,000	432,000	202,145,000	10.01	2,579,000	1.29
Grand Total	\$2,025,651,000(R)	\$184,022,000	\$1,841,629,000(R)	100.00%	\$2,221,602,000	\$201,666,000	\$2,019,936,000	100.00%	\$178,307,000	9.68%

Note:

- 1) Totals may not add due to rounding
- 2) Collected by Dept. of Revenue
- 3) ** means less than .005%
- 4) "R" means revised
- 5) Grand Total excludes Unemployment Compensation Insurance Contributions

F.Y. 1974	F.Y. 1975	Change	
		Amount	%
\$81,862,000	\$93,517,000	\$11,655,000	14.24%

Minnesota Local Tax Collections

Fiscal Years Ending June 30, 1974, and June 30, 1975*

	Fiscal Year 1974		Fiscal Year 1975		Change	
	Amount	% of Total	Amount	% of Total	Amount	%
<u>Property Taxes</u> ¹						
Real Property ²	\$ 854,023,000	87.79%	\$ 995,439,000	88.22%	\$ 141,416,000	16.56%
Personal Property	38,089,000	3.92	44,353,000	3.93	6,264,000	16.45
Special Assessments	54,783,000	5.63	60,897,000	5.40	6,114,000	11.16
Mobile Home Property ³	3,996,000R	.41	4,920,000	.44	924,000	23.12
Tree Growth	106,000	.01	130,000	.01	24,000	22.64
Auxiliary Forest	20,000	*	38,000	*	18,000	90.00
Rural Power Lines	6,073,000	.62	6,983,000	.62	910,000	14.98
<u>Sales and Excise Taxes</u>						
Bloomington	766,000	.08	855,000	.08	89,000	11.62
Duluth - 1%	2,247,000	.23	2,425,000	.21	178,000	7.92
Duluth - 3%	118,000	.01	147,000	.01	29,000	24.58
Minneapolis	1,555,000	.16	1,649,000	.15	94,000	6.05
Rochester	374,000	.04	415,000	.04	41,000	10.96
St. Paul	176,000R	.02	190,000	.02	14,000	7.95
<u>Gross Earnings Taxes</u>						
Minneapolis - ⁴						
3% on Public Utilities	3,031,000	.31	3,387,000	.30	356,000	11.75
St. Paul - ⁴						
8% on Public Utilities	5,745,000	.59	6,300,000	.56	555,000	9.66
Trust Companies	6,000	*	2,000	*	-4,000	-66.67
<u>Wheelage Taxes</u>						
Hennepin County ⁵	258,000R	.03	-0-	-	-258,000	-100.00
Ramsey County ⁵	1,342,000R	.14	90,000	.01	-1,252,000	-93.29
St. Cloud ⁵	27,000R	*	15,000	*	-12,000	-44.44
<u>Severance Taxes</u>						
Sand and Gravel Tax						
Clay County	50,000	.01	47,000	*	-3,000	-6.00
Norman County	5,000	*	7,000	*	2,000	40.00
Wilkin County	5,000	*	8,000	*	3,000	60.00
Grand Total	\$ 972,792,000R	100.00%	\$1,128,298,000	100.00%	\$ 155,506,000	15.99%

Note: 1) Totals may not-add due to rounding.

2) "*" means less than .005%

3) "R" means revised.

FOOTNOTES

1. Fiscal year 1974 property taxes were levied in calendar year 1973 and payable in calendar year 1974. Fiscal year 1975 property taxes were levied in calendar year 1974 and payable in calendar year 1975. Taxes on mobile homes are levied and payable in the same year.

2. After Homestead Credits:	F.Y. 1974	F.Y. 1975	Change	%
Regular Homestead Credit	\$186,123,000	\$ 203,061,000	\$ 16,938,000	9.10%
Taconite Homestead Credit	3,250,000	3,648,000	398,000	12.25

3. After Homestead Credits:	F.Y. 1974	F.Y. 1975	Change	%
Regular Homestead Credit	\$ 2,135,000	\$ 2,651,000	\$ 516,000	24.17%
Taconite Homestead Credit	74,000	102,000	28,000	37.84

4. Fiscal year 1974 collections are as of calendar year ending 12-31-73. Fiscal year 1975 collections are as of calendar year ending 12-31-74.

5. Wheelage taxes in Hennepin and Ramsey Counties and the City of St. Cloud were repealed.

*This table excludes some local taxes, although the major ones have been taken into account.

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