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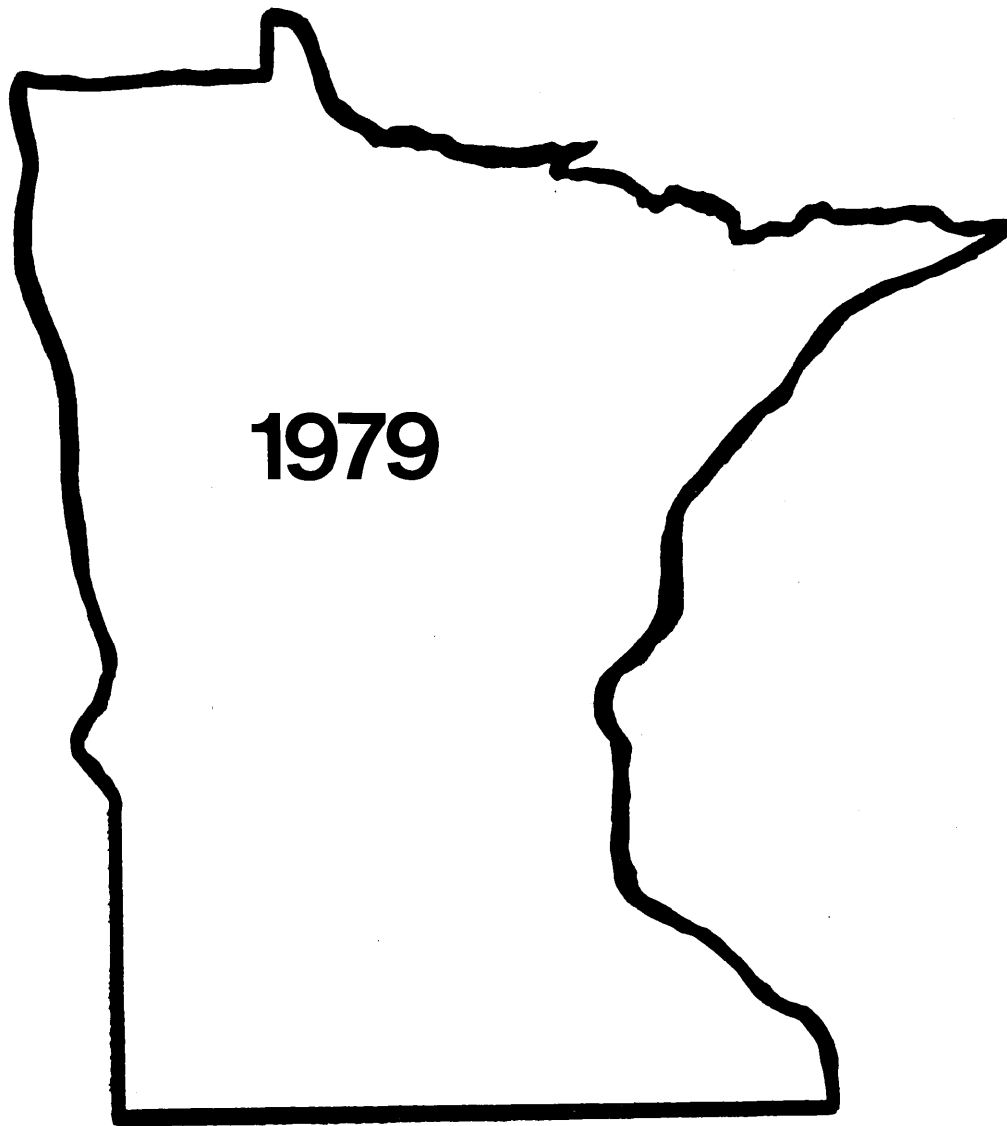
Minnesota Tax Guide

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Prepared by Minnesota Departments of Economic Development and Revenue

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MINNESOTA TAX GUIDE



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Foreword

This book is a summary of state and local taxes in Minnesota as they exist following the 1979 legislative session. The first section is a summary of the 1979 Session as regards changes in the tax laws. The second and third sections summarize the state and local tax structures. The fourth section of this book is a short description of state aids to local governments. At the end of this book will be found two tables describing state and local tax receipts for fiscal years 1978 and 1979.

Department of Revenue

Department of Economic Development

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Summary of 1979 Legislative Session

The 1979 legislative session was a full one with regard to tax law changes. There are major alterations in the income, property, inheritance and gift, and railroad gross earnings taxes. Along with these are a number of less extensive changes in different taxes at both the state and local levels as well as certain adjustments in local government aids.

This opening section of the Tax Guide is to serve as a summary of these changes so that the reader may sense the continuity in the shifts of the Minnesota tax system.

Income Tax

The most obvious change in this tax is the recognition of the impact of inflation on a progressive tax structure. This recognition is borne out in the indexing for the rate of inflation of the income tax brackets, the maximum standard deduction, the low income credit and the personal tax credits.

The income tax brackets will be adjusted by a rate equal to 85% of the rate of inflation as measured by the Minneapolis-St. Paul All Consumers Price Index. This change is effective for tax year 1979 and thereafter.

The maximum standard deduction has been changed in two ways. First, beginning with tax year 1981 it will be fully indexed for the rate of inflation. Second, it has been increased from \$1,000 to \$2,000 effective tax year 1979.

The low income credit amounts (as determined by income and number of dependents) have been increased an average of 15 percent, effective tax year 1979. These, too, will be fully indexed for inflation starting in 1981.

Each of the personal credits has been increased effective tax year 1979. They are set to be increased again for tax year 1980 and, starting in 1981, will be fully indexed for inflation. In addition, a new credit for individuals who are quadriplegic has been instituted.

The dependent child care credit has been made consistent with updated federal law to allow credit for payments made to relatives for caring for taxpayers' dependents.

The \$140 credit for members of the national guard has been replaced by a \$3,000 exclusion for all members of the armed forces with an

additional \$2,000 exception for military service rendered outside the state. Effective tax year 1980, the top income tax rate of 17% will be eliminated.

The exclusion amount of qualifying pension income has been increased from \$7,200 to \$10,000. Previously, this was reduced by social security benefits, railroad retirement benefits, and an amount equal to gross income in excess of \$13,000. Now it will be reduced only by gross income in excess of \$17,000. In addition, pension income of non-residents is no longer assignable to Minnesota even if it was earned while a person was a resident of Minnesota.

Individuals of age 55 or older may exclude from gross income the capital gains of up to \$100,000 realized through the sale of their principle residence. This can be used only once and is on a elective basis.

The last filing day for a contribution to an Individual Retirement Account (I.R.A.) has been changed from 45 days following the end of the tax year to the due date for filing a return.

The maximum credit for contributions for political offices has been increased to \$50 for individuals and \$100 for married couples. Previously, these amounts were \$25 and \$50.

Income earned or losses realized as a result of the transfer of property in the settlement of marital rights (e.g., divorce) are excluded from Minnesota adjusted gross income.

Taxes paid to Canadian provinces or territories may, depending on the tax system of that province or territory, be allowed as a credit against Minnesota income taxes.

Finally, there have been major changes in the property tax refund. Among these, the percentage amount of "rent constituting property taxes paid" was increased from 22% to 23%; each refund maximum was increased by \$175; the maximum refund (including co-insurance) was increased from \$800 to \$1,000; and the co-insurance rate is set at 50% for all claimants. This latter change applied to renters, who were not eligible for co-insurance prior to this change, and to homeowners whose previous percentage rate was 35%. The co-insurance concept is further explained in the property tax section.

Property Tax

The property tax, too, underwent some major revisions. Many of the changes where a direct result of a court decision of January, 1979 adjudging the limited market value treatment of property as unconstitutional.

The limited market value treatment of property for tax purposes will be phased out over a two year period. For taxes levied in 1979, payable

1980, the amount of increased value added shall be equal to 10% of the previous year's limited market value, or 50% (the previous figure was 25%) of the difference between the previous year's limited market value and the current year's estimated market value, whichever is greater. For taxes levied 1980, payable 1981, the remaining difference in market value will be added, together with any other increases occurring that year so that full market value is used for tax purposes.

With the elimination of limited market value, assessment ratios for certain classes of property have been adjusted to compensate for the shift in taxes to residential property. These changes are more fully explained in the property tax section of the Tax Guide.

The homestead credit is also increased from 45% of gross tax to 50% for taxes payable 1980, and 55% for those payable 1981 and thereafter. The maximum credit amount is increased from the present \$325 to \$550 for 1980 and \$600 for 1981. In addition, the number of acres eligible for agricultural homestead is increased from 160 to 240; this land no longer needs to be contiguous. The homestead credit base value for all homesteads is set at \$21,000 for taxes levied 1979 payable 1980, which is an increase of \$4,000 (i.e., up from \$17,000) from the previous year. In the future, this amount will be indexed in increments of \$1,000 rather than the current \$500.

Beginning in 1981, agricultural mill rate credit on homestead agricultural land, will be increased to 17 mills. This credit will be based on assessed farmland of up to 240 acres.

An exempt property class was created. Privately owned "wetlands" will be exempt from property taxes beginning with taxes payable in 1981. To qualify, such land must be mostly underwater, producing no income and preserved in a natural state.

In addition to the exemption, owners of these wetlands will receive a credit, paid by the state, equal three-quarters of one percent (.75%) of the average level of estimated market value of an acre of tillable land in the township or city in which the wetlands are located, times the number of acres of wetlands themselves. To receive the credit, the owner must not drain the land during the year the credit is given.

In addition, a new class --3dd-- was created. This is defined as non-homestead residential property containing 3 or less units. This property, previously valued under the 3d classification, will be assessed at 32%.

A second credit was instituted during the past session. Starting with property taxes payable 1982, landowners whose property is subject to certain high voltage transmission line easements will receive a credit against those taxes (the derivation of the exact amount is somewhat lengthy and the interest reader is directed to the act itself). Currently, such landowners receive payments from the concerned utilities.

Estate Tax

The inheritance and gift taxes have been abolished. They are replaced by an estate tax that becomes effective for deaths occurring after December 31, 1979. Since this change is so extensive, the reader is referred to the estate tax section for the details involved.

Railroads

The Railroad Revitalization and Regulatory Reform Act of 1976 prohibits discriminatory taxation of railroads. In response to this law, the gross earnings tax on railroads was repealed and replaced by a property tax that will be administered by the state. The details of this are explained in the property tax section.

Energy Credit

An individual income tax credit of 20% is allowed for the first \$10,000 of expenditures for renewable energy resources on a building in Minnesota containing six or fewer dwelling units. This credit is non-refundable.

Sales Tax

The furnishing of residential sewer and water services will be exempt from sales tax.

Business Relief

The pollution control credit was reinstated. This credit is an amount equal to five percent of the taxpayer's net cost of certain pollution control equipment, but not to exceed \$75,000 per year. A similar credit was established for taconite and iron ore taxes.

Payments-in-Lieu

Beginning July 1, 1979, the state will make payments to counties for state-acquired natural resource lands that are administered by the commissioner of natural resources. The new law also provides for the specific distribution of these payments among the political subdivisions of the state.

Local Government Aids

Local governments' aids is another area of extensive statutory change. There are three fundamental changes. First, a new distribution formula is established that employs a statewide distribution system in contrast to the previous system of county funds. Second, the local government aid appropriations are raised from \$52 per capita to \$64 per capita for calendar year 1980, and \$70 per capita for calendar year 1981. Third, the county government distribution is set at the amount received in 1979 plus \$1 per capita in 1980, increasing to \$2 per capita in 1981.

In addition, the state has increased its share of Aid to Families with Dependent Children (AFDC) from the present 60% of the difference between total estimated needs and available federal funds to 70% of that difference. This is for calendar year 1980. For calendar year 1981 and thereafter, this rate will increase to 80%. The state's share of general assistance will also increase from the present 50% to 60% in 1980 and 70% in 1981. Likewise, the state's share of Supplemental Security Income will increase from 50% to 70% in 1980 and to 80% in 1981.

The state will also be reimbursing local taxing districts the amount lost due to the exemption from property taxes from wetlands.

Foundation aids for education have been increased substantially and the formula for transportation aid to school districts has been changed quite extensively.

Miscellaneous

The admissions tax at the Metropolitan Sports Center has been eliminated. This change is part of a larger action regarding the location of a new domed stadium in downtown Minneapolis.

The tax on sparkling wines has been reduced from \$3.08 per gallon to \$1.50 gallon.

The process of tax increment financing has been altered radically. More uniformity, along with a number of structural changes, has been introduced into this process.

State Taxes

INCOME TAX

Individual Income Tax

Filing Requirements

In the past, the requirements for filing an income tax return, based on income level and filing status of the individual, have been set out in the statutes. [M.S. 1978, 290.37]. In this most recent legislative session, such provisions have been repealed and, rather, shall be annually determined by the commissioner of revenue. This is necessitated by the new indexing considerations for the inflation rate in the income tax structure.

Below is the most recent table of these provisions used for 1978 income tax returns. The reader should note that each of these will be increased for the 1979 tax year. Because the adjustments will be based on the inflation rate occurring for the 12 month period of August, 1978, to August, 1979, the final income levels were not available at the time of this publication.

Filing Status	Gross Income for Taxable Years Beginning:	
	After December 31, 1977	Before January 1, 1978
(a) Unmarried	\$1,700	\$1,000
(b) Unmarried and 65 or Older	2,300	1,800
(c) Unmarried and Blind	2,300	1,800
(d) Unmarried, 65 or Older, and Blind	2,900	2,400
(e) Married (combined income)	2,700	1,800
(f) Married and One is 65 or Older (combined income)	3,100	2,400
(g) Married and Both are 65 or Older (combined income)	3,400	2,800
(h) Married and One is Blind (combined income)	3,100	2,400
(i) Married, One is Blind, and One is 65 or Older (combined income)	3,400	2,800
(j) Married, One is Blind, and Both are 65 or Older (combined income)	3,800	3,300
(k) Married and Both are Blind (combined income)	3,400	2,900
(l) Married, Both Blind, and One is 65 or Older (combined income)	3,900	3,300
(m) Married, Both Blind, and Both are 65 or Older (combined income)	4,400	3,600
(n) Executor or Administration of an Estate	1,700	750
(o) Guardian of an Infant or Incompetent Person	1,700	1,000
(p) Trustee or Other Fiduciary of Property Held in Trust	750	750
(q) Every Individual Whose Tax Liability Exceeds Allowable Credits, Regardless of Income	--	--
(r) Partnerships File Information Returns	--	--

Determining Taxable Income

The starting point for determining the amount of income subject to Minnesota income tax in any year is federal adjusted gross income from the taxpayer's federal tax return. [M.S. 1978, 290.01, Subd. 20]. This amount is modified by adding to it, among other things, the following:

- 1) Interest from government bonds issued by other states or political units of other states that is exempt from Federal tax,
- 2) Moving expenses that were subtracted on the federal return where the individual is moving from Minnesota to another state,
- 3) Any federal tax refunds an individual received during the tax year, and
- 4) Expenses and depreciation attributable to substandard rental housing that was deducted on the federal return,
- 5) Interest income from U.S. government obligations that are exempt from federal but not states taxes.

There are additional adjustments increasing gross income and the interested reader is referred to the statutes.

The amount is also modified by subtracting certain items, some of which are:

- 1) Interest received from a family farm security loan,
- 2) Income received by a non-resident for personal services performed outside of Minnesota,
- 3) Interest and dividend income received by a non-resident,
- 4) Pensions received from any state, its political or governmental subdivisions, or qualifying private pensions under the Internal Revenue Code. A maximum of \$10,000 can be subtracted, with this amount being reduced dollar for dollar by an amount equal to federal gross income in excess of \$17,000,
- 5) The first \$3,000 of compensation for members of the armed forces, and
- 6) Income earned for personal services prior to the taxpayer's becoming a Minnesota resident.

Again, this list is incomplete and the interested reader should check the appropriate statute for a complete list [M.S. 1978, 290.01, Subd. 20].

The bottom line of these additions and subtractions is Minnesota gross income. This amount is then adjusted by subtracting federal income taxes paid and withheld during the taxable year to the extent that taxes were paid on income that was also taxed by Minnesota. A self-employed person

may subtract the amount of self-employment tax he or she paid which was in excess of what would have been paid if he or she had paid social security taxes. This is Minnesota Adjusted Gross Income.

Net taxable income is then determined from Minnesota adjusted gross income by deducting, at the taxpayer's option, the standard deduction as determined by statute or the sum of all itemized deductions.

Allowable itemized deductions include Minnesota property, sales, and gasoline taxes, certain license fees, interest paid, charitable contributions and, in addition to medical insurance premiums, the full amount of any medical and dental expenses not reimbursed by insurance. [M.S. 1978, 290.09].

The standard deduction is equal to 10% of the taxpayer's Minnesota adjusted gross income up to a maximum of \$2,000 for taxpayers with Minnesota adjusted gross income of \$20,000 or less. For each tax year beginning after December 31, 1980, the maximum amount will be adjusted for inflation. It shall be increased at a rate equal to the rate of inflation measured by the Minneapolis-St. Paul All Urban Consumer Price Index as determined from August in the preceding tax year to August in the current tax year. [M.S. 1978, 290.09, Subd. 15].

Determining Tax Liability

The rate structure of the Minnesota income tax is a progressive one, with a bottom rate of 1.6% on the first \$500 of taxable income and a top rate of 17% of income over \$40,000. (This is reduced to 16% starting in tax years beginning after December 31, 1979). Given below are the income brackets and attendant tax rates used for tax year 1978; these are set to change for tax year 1979. The income brackets will be adjusted by a rate equal to 85% of the annual rate of inflation as indicated by the Twin Cities All Urban Consumer Price Index, as determined from August in the preceding tax year to August in the current tax year. The table given below is for the information of the reader, but it is important to note that the table will not be applicable for future tax years. [M.S. 1978, 290.06, Subd. 2c].

<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
Next	7,500	15.0
Next	12,500	16.0
Remainder		17.0

A minimum tax of 40% of the federal tax on preference items is currently imposed. Preference items include capital gains, accelerated depreciation, special amortization, stock options, depletion and itemized deductions in excess of 60% of the taxpayer's federal adjusted gross income. [M.S. 1978, 290.091].

Credits Against the Income Tax

Credits against the income tax are of two forms: refundable and non-refundable. A refundable credit generates a refund to the taxpayer if the credit exceeds the tax liability. A non-refundable credit simply reduces the taxes due to zero with no refund to the taxpayer, even if the credit exceeds the tax due. Credits available are listed below.

Personal and Dependent Credits (Non-refundable)

The legislature in the 1979 session made some rather extensive changes in the personal and dependent credits. Below is a table of the credits and how they are set to change in future tax years.

	Tax Year		
	1978	1979	1980
Unmarried Individual, Estates	\$40	\$ 55	\$ 60
Married Individuals Living with a Spouse ¹	80	110	120
Dependent Individuals	40	55	60
Over Age 65 or Blind Persons ²	20	55	60
Deaf Persons	20	55	60
Trusts	5	5	5
Quadriplegic Persons ³	-	55	60
Blind Dependents	-	55	60

¹The credit may be split if the couple files separately.

²An additional credit of the amount indicated is allowed for the spouse of a filer.

³An additional credit of the amount indicated is allowed for spouses and each dependent.

These categories are not mutually exclusive; a person may fall into a combination and claim all the credits allowed. For example, an unmarried individual over age 65 and blind is allowed \$165 in credits in 1979.

For taxable years beginning after December 31, 1980, each of these amounts will be adjusted by the rate of inflation in the same manner as the standard deduction, as explained above. [M.S. 1978, 290.06, Subd. 3c].

Low Income Credit (Non-refundable)

A tax liability is granted to offset the income tax liability of qualifying individuals with low incomes. Depending on the income level and size of the household, the tax is reduced to zero. Two changes were made as regards this credit in the 1979 legislative session. First, the exclusion levels were increased as indicated below. Second, these amounts will be adjusted for taxable years beginning after December 31, 1980 for the rate of inflation in the same manner as the standard deduction.

<u>Number in Household</u>	<u>Exclusion Level</u>	
	<u>1978</u>	<u>1979</u>
1	\$4,800	\$ 5,500
2	5,800	7,000
3	6,900	8,000
4	7,800	8,900
5	8,400	9,600
6 or More	8,900	10,000

These income levels are totals for the claimant and spouse. If a claimant's total household income exceeds the amount set forth above, he or she may, 1) pay a tax equal to 15% of that portion of income in excess of the exclusion level, or 2) pay his or her tax obligation as it would have been without the low income credit, whichever is less. [M.S. 1978, 290.06, Subd. 3d].

Political Contribution Credit (Non-refundable)

A taxpayer may take a credit against the tax of 50% of his or her contributions to a political party or candidate for office up to a maximum of \$50. For married couples filing jointly, the maximum allowed is \$100. The credit may be claimed only for contributions to a political candidate, or a political party which has candidates seeking nomination 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 deduction for political contributions established elsewhere in the statutes. [M.S. 1978, 290.06, Subd. 11].

Homemaker's Credit (Non-refundable)

A married couple filing jointly or separately on a combined form may take a credit of \$50 if one spouse remains at home and unemployed for the purposes of caring for their child, who is age 12 or under, and if their federal adjusted gross income does not exceed \$25,000. (M.S. 1978, 290.06, Subd. 3e].

Feedlot Pollution Control Equipment Credit (Non-refundable)

A credit is allowed for income taxes in the amount 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. [M.S. 1978, 290.06, Subd. 9a].

Credit for Income Tax Paid to Other States (Non-refundable)

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

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

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 those states. [M.S. 1978, 290.081].

Exempt Agricultural Electricity Credit (Refundable)

Any consumer who has paid Minnesota sales tax to an electric 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 electric 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%. [M.S. 1978, 297A.35, Subd. 3; 290.501].

Property Tax Refund (Refundable)

The property tax refund is a payment by the state to homeowners and renters where the property taxes paid by these persons exceed a prescribed percentage of their household income. [M.S. 1978, 290.04, Subd. 2]. A table of these percentages is given below.

Income	Prescribed Percentage	Maximum Credit*
\$ 0 to 2,999	0.5%	\$650
3,000 to 3,999	0.6	650
4,000 to 4,999	0.7	650
5,000 to 5,999	0.8	650
6,000 to 6,999	0.9	650
7,000 to 7,999	1.0	650
8,000 to 8,999	1.1	650
9,000 to 9,999	1.2	650
10,000 to 10,999	1.3	650
11,000 to 11,999	1.4	650
12,000 to 19,999	1.5	650
20,000 to 22,999**	1.6	650
23,000 to 25,999**	1.8	600
26,000 to 30,999***	2.0	550
31,000 to 35,999***	2.2	525
36,000 to 40,999	2.4	500
41,000 to 44,999	2.6	500
45,000 to 52,999	2.8	500
53,000 to 65,999	3.0	500
66,000 to 81,999	3.2	500
82,000 to 99,999	3.5	500
100,000 or More	4.0	500

* 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.

The qualifying property tax for homeowners for the purpose of the refund is the property tax payable exclusive of special assessments, penalties and interest, taconite homestead credit, and agriculture mill rate differential credit. From this amount and the table above a credit is determined. The state then pays in the form of the property tax refund the difference between the credit so determined and the homestead credit (see the property tax section). The sum of the homestead credit and the property tax refund cannot exceed \$850.

For the purpose of the refund, renters are allowed 23% of rent paid which is considered to constitute qualifying property taxes. [M.S. 1978, 297A.03, Subd.11].

Senior citizens, disabled persons and renters can claim their property tax refund as a credit against their income taxes; homeowners file for the refund separately from their income tax returns.

There is an additional refund available where the taxpayer is receiving the maximum allowed and property taxes still exceed the prescribed percentage of household income. This is referred to as "co-

insurance". The refund is equal to 50% of the tax exceeding the prescribed percentage of income. The sum of the two refunds, the regular refund and the co-insurance refund, cannot exceed a maximum as set out below:

For Claimants not Disabled and Under Age 65

<u>Income</u>	<u>Maximum Total Refund</u>
\$ 0 to \$25,999	Up to \$1,000
26,000 to 35,999	Up to 850
36,000 and Over	Up to 550

For incomes between \$20,000 and \$26,000 the maximum declines \$25 for each \$1,000 of income. For incomes between \$26,000 and \$36,000, the maximum declines \$30 for each \$1,000 of income.

For Claimants Disabled or Age 65 or Older

<u>Income</u>	<u>Maximum Total Refund</u>
\$ 0 to \$22,999	Up to \$1,000
23,000 to 25,999	Up to 975
26,000 to 35,999	Up to 950
36,000 and Over	Up to 750

For incomes between \$20,000 and \$26,000, the maximum declines \$8.33 per \$1,000 income. For incomes between \$26,000 and \$36,000, the maximum declines \$20 per \$1,000 income. [M.S. 1978, 290A.04, Subds. 2a, 2b].

Dependent Care Credit (Refundable)

A credit against income taxes due is allowed a taxpayer of an amount equal to 50% of the dependent care credit under the federal tax code. This credit pertains to children under age 15 and dependents or spouses not capable of self-care.

The credit for expenses incurred for the care of these persons is limited to \$150 per taxable year for each dependent and \$300 for all dependents in a taxable year. [M.S. 1978, 290.067].

Income Tax Withholdings

For wage earners in Minnesota, income taxes are withheld at the source by employers. Employers submit this amount to the state on a quarterly basis. Persons who are self-employed are required to make payments quarterly based on estimates of income for the subsequent quarter. [M.S. 1978, 290.92].

The deadline for filing Minnesota individual income tax returns is the 15th of April following the taxable year. Taxpayers on a fiscal year basis must file three and one-half months after the close of the fiscal year. [1978, 290.93].

Distribution

All revenue from the individual income tax is deposited in the state treasury and credited to the general revenue fund. [M.S. 1978, 290.93, Subd. 12].

Corporation Excise Tax

Filing Requirements

Every corporation not specifically exempted from the excise tax must file a return if its gross income exceeds \$5,000 or if its net income is greater than \$500. Corporations engaged solely in the business of mining iron ore or other ores subject to the occupation tax are, among others, so exempt. [M.S. 1978, 290.05].

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. [M.S. 1978, 290.09]. Federal income taxes are not an allowable deduction for periods after June 30, 1971. Taxes paid to foreign countries are also not an allowable deduction for taxable years beginning after December 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 the use of another method, including separate accounting, to determine Minnesota net income. [M.S. 1978, 290.19, 290.20]. The sales factor in the apportionment formula is determined on a pure destination basis for taxable years beginning after December 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 items sold may have been delivered outside Minnesota.

Credits Against Net Taxable 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 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 assignable or allocable to Minnesota is of 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 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. [M.S. 1978, 290.21, Subd. 4].

Specific Credit

Every corporation required to file a return is allowed a \$500 specific credit against net income. [M.S. 1978, 290.21, Subd. 2].

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 the corporation's Minnesota net income is to the corporation's total net income. Credits for 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. [M.S. 1978, 290.21, Subd. 3].

Determination of the Tax

Each filing corporation is subject to a 12% tax on their taxable income. For all corporations that file, there is a minimum tax of \$100. [M.S. 1978, 290.06, Subd.].

Credits Against the Excise Tax

Feedlot Pollution Control Credit

This credit applies to corporations in the same manner it does to individuals. A credit of 10% of the net cost of pollution control and abatement equipment installed in the operation of feedlots or other animal lots is allowed. [M.S. 1978, 290.06, Subd. 9a].

Pollution Control Credit

A credit equal to 5% of the net cost of pollution control equipment meeting the standards set by the Minnesota Pollution Control Agency is allowed. A maximum of \$75,000 per taxable year is set but any "unused" credit may be carried over for up to four years. [M.S. 1978, 290.06, Subd. 9].

Exempt Agricultural Electricity Credit

This credit also applies to corporations as it does to individuals. The credit is equal to 4% times the cost of electricity used in agricultural production.

Insurance Companies Credit for Premiums Tax

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

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. [M.S. 1978, 290.93].

Distribution

All revenue is deposited in the state treasury and credited to the general fund.

Bank Excise Tax

Although banks are taxed separately from corporations, there are many similarities between the two taxes. The most acute difference is in the determination of taxable income.

Filing Requirements

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

Determination of Taxable Income

As with corporations, business expenses are deducted from gross income in determining net taxable income. Federal income taxes and taxes paid to foreign countries are not considered as business expenses.

Each bank is considered as a separate entity, even if it is a part of a larger banking system. In cases where stock, bonds or other intangible property constitute stock in trade, the income from trading in intangible property is assignable to Minnesota. Income and gains from intangible property held in trust are assigned to Minnesota if the recipient or grantor of the trust is domiciled within the state and the income or gains would be taxable to the grantor. [M.S. 1978, 290.25]. Income and gains received from tangible property not employed in the business of the recipient is assigned to Minnesota if the property is situated in the state.

Determination of the Tax

Banks are subject to a 12% rate of tax on their net taxable income. A minimum tax of \$100 is required. [M.S. 1978, 290.361].

Payment Requirements

Banks are required to make quarterly excise 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 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. [M.S. 1978, 290.931, 290.932].

Distribution

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

Inheritance Tax

Filing Requirements

The inheritance tax has been repealed by the legislature, effective January 1, 1980. All deaths involving a legacy up to that point will be taxed under present law.

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. [M.S. 291.01].

Determination of Taxable Amount

The exemptions allowed vary with the propinquity between the beneficiary and decedent. For example, the exemptions allowed the surviving spouse are as follows:

1. The decedent's homestead to \$45,000, \$10,000 in lieu of homestead;
2. Proceeds from U.S. government life insurance policies;
3. Maintenance for one year, limited to a maximum of \$9,000;
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 \$60,000 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 \$30,000. As the relationship between decedent and beneficiary becomes more distant, the specific exemption is reduced. [M.S. 1978, 291.05, 291.051].

Determination of Tax

The rate of tax varies also with the propinquity between decedent and beneficiary. Rates on the transfer to the surviving spouse, minor or dependent child, or legally adopted minor or dependent child are as follows:

- | | |
|-----|---|
| 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. [M.S. 1978, 291.03].

Payment Requirements

The return and tax are due within 12 months after the death of the decedent. Taxpayers who owe at least \$5,000 may choose to pay in five equal installments over a period of no more than 5 years after the decedent's death or the expiration of the extension granted by the commissioner, whichever is later. [M.S. 1978, 291.11].

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 January 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. [M.S. 1978, 291.13, 291.33].

Gift Tax

The gift tax has also been repealed with an effective date of January 1, 1980. The tax as explained here affects all gifts up to that time.

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. [M.S. 1978, 291.01].

Determination of Taxable Amount

The exemptions allowed vary with the propinquity 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, minor or dependent child, either by blood or adoption;
2. \$5,000 if the donee is the husband, adult child, by blood or adoption, a stepchild 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 (or widower beginning in 1979) of a daughter;
5. \$250 for all other donees. [M.S. 1978, 292.04, 292.05].

Determination of Tax

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

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. [M.S. 1978, 292.07, Subd. 2].

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, by blood or adoption, stepchild, 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 (or widower beginning in 1979) of a daughter	30
6.	Aunt, Uncle or their Descendants	40
7.	All Others	20

[M.S. 1978, 292.07, Subd. 3].

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 was made.
[M.S. 1978, 292.08].

Distribution

The revenue from the gift tax is deposited in the state treasury and credited to the general fund.

Estate Tax

Effective January 1, 1980, an estate tax replaces the current inheritance tax. This is both a tax relief and simplification procedure whereby an estate is taxed on the whole rather than on each beneficiary's portion.

Filing Requirements

For resident decedents dying after December 31, 1979 and before January 1, 1981, a return must be filed if the federal gross estate exceeds \$161,000. In the instance where the resident decedent dies after December 31, 1980, a return must be filed if this amount is greater than \$175,000. Nonresidents must file only if there is a liability.

Determination of Taxable Amount

Minnesota taxable estate is equal to the following:

Federal Gross Estate

- Less: Nontaxable items and allowable deductions which include social security benefits and railroad retirement benefits, other employee retirement plans, property located outside Minnesota but included in federal gross estate, and bequests to charitable foundations, funeral expenses and other debts, legal fees etc.
- Less: Marital deduction which is equal to \$250,000 or 50% of the value of the federal adjusted gross estate, whichever is greater.
- Less: Federal tax allocated to Minnesota.
- Less: Estate deduction of \$200,000.

Determination of the Tax

The rates of tax on Minnesota taxable estates are as follows:

<u>Tax Rate</u>	<u>Minnesota Taxable Estate</u>
7%	first \$ 100,000
8%	next \$ 100,000
9%	next \$ 100,000
10%	next \$ 100,000
11%	next \$ 100,000
12%	on the excess over \$1,000,000

The amount of tax imposed on the transfer of any estate shall not be less than the maximum tax credit allowable for state death taxes against the federal estate tax.

Credits Against the Tax

A credit equal to the amount of gift tax paid on gifts made within 3 years prior to the decedent's death by the decedent.

Payment Requirements

The estate tax return must be filed within 9 months of the decedent's death. If the tax liability exceeds \$5,000, this amount may be paid in five equal installments over a five year period.

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 January 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.

SALES AND EXCISE TAX

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. [M.S. 1978, 297A.16].

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. [M.S. 1978, 297A.01].

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. A seller who has more than one location must obtain a permit for each location. One return with separate reports for all locations may be filed, or the seller may file a separate return for each location. [M.S. 297A.04].

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. [M.S. 1978, 297A.01].

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

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; fuel oil, propane, coal, wood and steam purchased by residential customers for residential use, natural gas sold during the billing months of November, December, January, February, March and April for residential use to customers who are metered and billed as residential users and who use natural gas for their primary heating fuel; electricity subject to the same requirements as natural gas; 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 issued at average intervals of three months or less; 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 shortlived items used in industrial or agricultural productions 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, 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. [M.S. 1978, 297A.25].

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. Coin operated vending machines making taxable sales are subject to a tax at the rate of 3% of gross receipts for sales made after November 30, 1971. [M.S. 1978, 297A.02].

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. A filer who has had an average monthly sales and use tax liability of less than \$100 over the preceding six months may request to file only quarterly.
2. If the average monthly tax has been less than \$10 over the preceding 12 months, he or she 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 returns are required only for the months indicated. [M.S. 1978, 297A.27].

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. [M.S. 1978, 297A.44].

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. [M.S. 1978, 297B.02]. 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 sales 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 or her 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. [M.S. 1978, 297B.03, 297B.035].
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. [M.S. 1978, 297B.06].

Distribution

All revenues derived from this tax are deposited in the state treasury and credited to the general fund. [M.S. 1978, 297B.09].

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 or she 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. [M.S. 1978, 296.02, 296.025].

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. [M.S. 1978, 296.03].

Distribution

The proceeds of the gasoline and highway special fuels 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. [M.S. 1978, 162.05, 162.11, 161.04].

Revenues derived from the excise taxes on aviation gasoline and aviation special fuels, including interest and penalties, are credited to the aviation fuel tax fund. Unrefunded snowmobile gasoline tax (equal to three-fourths of one percent 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 one percent 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. [M.S. 1978, 296.421].

Motor Vehicle Recycling Tax

Determination of Tax

The state imposes a tax of \$1.00 on the transfer of new or used vehicles weighing more than 1000 lbs. The tax is not imposed on, 1) transfers to 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 and credited to the general fund. [M.S. 1978, 168B.11].

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. [M.S. 1978, 340.47].

Determination of Tax

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

Wines:	<u>Tax Rate</u>
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*	1.05/Gallon

Distilled Spirits:

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

* Changed during 1979 session.

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 a rate of \$4.00 per 31-gallon barrel. [M.S. 1978, 340.67].

Any brewer who produces and sells fermented malt beverages within the state receives a credit of \$2 per barrel on the first 75,000 barrels produced and sold in any fiscal year. [M.S. 1978, 340.47, Subd. 2].

Distribution

All revenues derived from the alcoholic beverage taxes are deposited into the state treasury and credited to the general fund. [M.S. 1978, 340.62].

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. [M.S. 1978, 297.02].

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. [M.S. 1978, 297.03].

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

Distribution

The balance of the revenue derived from the cigarette tax, after crediting $5\frac{1}{2}\%$ to the natural resources and $5\frac{1}{2}\%$ to the natural resources acceleration account, is credited to the general fund. Prior to January 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. [M.S. 1978, 297.13].

Tobacco Products Tax

Determination of Tax

Tobacco products, other than cigarettes, are taxed at a rate of 20% of the wholesale 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 sales; (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. [M.S. 1978, 297.32].

Distribution

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

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. [M.S. 1978, 287.05].

Distribution

Ninety-five percent of the proceeds are paid to the state general fund and 5% to each county's general revenue fund. [M.S. 1978, 297.12].

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. [M.S. 1978, 287.21].

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. [M.S. 1978, 297.29].

GROSS EARNINGS TAX

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 earnings 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. [M.S. 1978, 295.34].

Railroad Companies

The gross earnings tax on railroads is repealed effective December 31, 1980. It will be replaced by a property tax. Until that date, the tax rate will be 2%, reduced from 5%. This change is further explained in the property tax section.

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. [M.S. 1978, 295.29, 295.32].

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. [M.S. 1978, 295.24].

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. [M.S. 1978, 295.37].

Insurance Premiums Taxes

Domestic and foreign companies, other than town and farmers' mutuals, 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 current 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, except auto and ocean marine fire premiums, less return premiums, on all direct business on property located in Minnesota. This tax is also paid in quarterly installments.

Domestic and foreign companies are required to pay a tax equal to 5% of their three year average taxable underwriting profit from ocean 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 located in the cities of the first class. This surcharge is due and payable in semiannual installments within thirty days following June 30 and December 31.

A 2% gross premiums tax (3% beginning August 1, 1978), 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 town mutual fire insurance companies, are required to pay annually by March 1 a tax of one-half of one percent of their gross fire premiums and assessments, less return premiums.

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. [M.S. 1978, 60A.15].

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. [M.S. 1978, 273.41].

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 with 24 hours after the termination of the event. Proceeds are deposited in the state treasury and credited to the general fund. [M.S. 1978, 341.05].

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, on land that is being mined, the royalty tax is reduced by an amount which makes the net effective tax equal to the net effective tax rate for the occupation tax. [M.S. 1978, 291.01, Subd. 1].

The proceeds from the royalty tax on iron ore are paid into the state treasury and credited to the general fund. [M.S. 1978, 299.13].

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 on land that is being mined. [M.S. 1978, 291.01, Subd. 2].

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. [M.S. 1978, 299.13].

Royalty Tax on Copper-Nickel Ore

Royalty received in connection with the mining of copper-nickel ore is taxed at the rate of one percent plus one percent of the amount of royalty paid on silver, gold, platinum and other precious metals. [M.S. 1978, 299.013].

The proceeds from the royalty tax on copper-nickel ore are paid to the state treasury and credited to the general fund. [M.S. 1978, 299.13].

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. [M.S. 1978, 298.01].

From the Lake Erie Value, certain statutory and non-statutory 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. Non-statutory deductions include those for costs of loading ore stock-piled during the year but not shipped, cost of beneficiation, transportation costs, marketing expenses and other miscellaneous costs.

The value after statutory and non-statutory 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. [M.S. 1978, 298.03].

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 Board (IRRRB). Effective for years beginning after December 31, 1977, the 5% distribution to the IRRRB is abolished but it will continue to receive the same dollar amount as it received in 1977. [M.S. 1978, 298.17].

Occupation Tax on Taconite, Semi-Taconite and Iron Sulphides

The rate of occupation tax on taconite, semitaconite 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. [M.S. 1978, 298.01, Subd. 2].

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 one percent 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. [M.S. 1978, 298.51].

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

The distribution of this tax is the same as for the occupation tax on iron ore. [M.S. 1978, 298.64].

Production Tax on Taconite and Iron Sulphides

A production tax is imposed on taconite and iron sulphides at the base rate of \$1.25 per gross ton of merchantable iron ore concentrate produced during 1977. In 1978 and subsequent years, the rate shall be equal to \$1.25 multiplied by the United States Bureau of Labor Statistics Wholesale Price Index's steel mill products index for January of the year of production, divided by the steel mill products index for 1977. An additional tax of 1.6% of the current rate is imposed for each one percent that the iron content of the product exceeds 62%. The production tax shall be calculated on the basis of the current year's production or the average of the current year's plus the past two years' production, whichever is higher. [M.S. 1978, 298.24].

The proceeds of the tax are distributed to the state general fund and to the cities, towns, school districts and counties in which taconite is mined and processed, according to the following schedule:

1. 2.5¢ per ton to taconite cities or towns;
2. 12.3¢ per ton to the taconite municipal aid account;
3. 29¢ per ton to schools as follows:
 - a) 6¢ per ton to the taconite schools;
 - b) 23¢ per ton to those schools that qualify for the taconite homestead credit in direct proportion to their levies;
4. 19.5¢ per ton to counties as follows:
 - a) 15.5¢ per ton to the taconite counties;
 - b) 4¢ per ton is given to the taconite counties' road and bridge funds;
5. 25.75¢ per ton is given to the taconite homestead credit fund;
6. 1¢ per ton goes to the state;

7. 3¢ per ton to the Iron Range Resources and Rehabilitation Board (IRRRB) plus an amount equal to its 1977 occupation tax distribution;
8. .2¢ per ton to the Range Association of Municipalities and Schools.

The amount distributed to the counties and to the taconite homestead credit will increase with the steel price index. The local governments will also receive in 1978 and subsequent years an amount equal to the aid they received from the taconite railroad gross earnings tax distribution in 1977. The remainder of the production tax will go to the Taconite Environmental Protection Fund, the Northeast Economic Protection Fund, and the Department of Revenue for administrative costs. The production tax is in lieu of property taxes. [M.S. 1978, 298.28].

Tailings Tax

A 10¢ a ton tailings tax is imposed on any taconite company that does not dispose of its tailings on land in accordance with state permits.

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 one percent 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. [M.S. 1978, 298.34, 298.35, 298.36].

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. [M.S. 1978, 298.39].

Production Tax on Copper-Nickel

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 one percent that the average copper-nickel content per gross ton of such ore exceeds one percent. The average copper-nickel content of samples is near one percent. 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. [M.S. 1978, 298.62].

The tax is in lieu of all taxes other than the occupation, royalty, and income taxes. [M.S. 1978, 298.62].

The proceeds of the production tax on copper-nickel ore are to be distributed in the same manner as the proceeds from the taconite and iron sulphides production tax.

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 has similar employment security laws.

Generally 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 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 non-profit 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 of individuals enrolled in a rehabilitation program or those enrolled in a work relief or work training program involving state or federal funds are excluded;
3. Some non-profit organizations may elect either to 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 services;
- 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 (FICA).

Taxable Wages

Covered employers are taxed on the wages paid to every worker. For 1977 the first \$7,000 of each employee's wages will be taxable. This amount will be increased to \$7,500 in 1978 and \$8,000 in 1979 and subsequent years.

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 1977 is 2.7%. 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 one percent. 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 7.5%.

Contribution Rate Computation

Each employer with benefit charges against his account will have those charges used as a factor in the calculations 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 who was not 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. [M.S. 1978, 268.06].

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 on-the-job injuries or work-incurred occupational diseases. Not covered by the law are household workers earning less than \$500 in any three-month period, farm laborers on family farms which paid less than \$2,000 in cash wages exclusive of machine hire in the preceding calendar year, and railroad employees. The latter are protected under a different law. An employer provides workers' compensation coverage for 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 Division of the Department of Commerce. 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. [M.S. 1978, 176].

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

[M.S. 1978, 168.013, Subd. 1a].

All trucks and trailers are taxed on the basis of the following schedules with some variations:

<u>Gross Weight in Pounds</u>	<u>Schedule I Tax</u>	<u>Schedule II Tax</u>
A 0 - 1,000	\$ 5.00	\$ -
B 1,501 - 3,000	9.00	-
C 3,001 - 4,500	14.00	8.00
D 4,501 - 6,000	19.00	11.00
E 6,001 - 9,000	28.00	17.00
F 9,001 - 12,000	39.00	23.00
G 12,001 - 15,000	62.00	37.00
H 15,001 - 18,000	86.00	52.00
I 18,001 - 21,000	114.00	68.00
J 21,001 - 27,000	158.00	95.00
K 27,001 - 33,000	230.00	138.00
L 33,001 - 39,000	320.00	192.00
M 39,001 - 45,000	420.00	252.00
N 45,001 - 51,000	540.00	324.00
O 51,001 - 57,000	690.00	414.00
P 57,001 - 63,000	830.00	498.00
Q 63,001 - 69,000	970.00	582.00
R 69,001 - 73,280	1,050.00	630.00
S 73,281 - 77,000	1,155.00	693.00
T 77,001 - 81,000	1,260.00	746.00
U In Excess of 81,000	\$36.00 per ton or fraction thereof in excess of 81,000 lbs.	

[M.S. 1978, 168.013, Subd. 1e].

1. Farm trucks and urban trucks (used exclusively in the metropolitan area or cities of the first or second class) are taxed on the basis of 30% of the rates in schedule I for the first six years of vehicle life, but no less than \$19, and on the basis of 30% of the rates in schedule II for the seventh and succeeding year of vehicle life,

but no less than \$11. In addition to the tax imposed on a truck-tractor, each semi-trailer shall be taxed at an annual flat fee of \$10. Local cartage carriers whose gross transportation revenues consist of at least 60% obtained solely from local cartage carriage shall be taxed at 90% of the prescribed rate for urban and farm trucks but no less than \$10. [M.S. 1978, 168.013, Subd. 1c].

2. Trailers, except semi-trailers, shall be taxed at 30% of the rates prescribed in schedule I but at no less than \$2. Mobile homes are taxed as personal property by local governments. [M.S. 1978, 168.013, Subd. 1d].
3. Recreational vehicles are taxed at 100% of the rates in schedule I for the first six years of vehicle life but no less than \$14 and 100% of schedule II for the seventh and succeeding years of vehicle life but no less than \$8. Recreational trailers are taxed at 30% of schedule I but no less than \$5. [M.S. 1978, 168.013, Subd. 1g].
4. All other trucks are taxed at the rates prescribed in Schedule I for the first six years of vehicle life, and the rate prescribed in Schedule II for the seventh and succeeding years of vehicle life. In addition, semi-trailers are taxed a fee of \$10.

However, all such trucks, except farm or urban trucks, in excess of 18,000 pounds but less than 27,001 pounds will be taxed at the following percentages of the rates prescribed in Schedules I and II:

- a) 80% for Registration Year 1977;
- b) 90% for Registration Year 1978;
- c) 100% for Registration Year 1979 and Successive Years.

All such vehicles in excess of 27,000 pounds which are used for the transportation of livestock or unprocessed and raw farm products and derive 60% of their gross receipts from such transports shall be taxed at 90% of the prescribed rate. [M.S. 1978, 168.013, Subd. 1e].

The gross weight of all truck tractors shall be the combined unloaded weight of the truck tractor and semi-trailer(s) ready for service, plus the weight of the maximum load which the applicant has elected to carry on such vehicle or vehicles.

Intercity buses are taxed according to the following schedule:

<u>Gross Weight</u>	<u>Tax</u>
6,000 lbs. and Under	\$132.00
6,000 - 8,000 lbs.	132.00
8,001 - 10,000 lbs.	132.00
10,001 - 12,000 lbs.	158.00
12,001 - 14,000 lbs.	200.00
14,001 - 16,000 lbs.	220.00
16,001 - 18,000 lbs.	236.00
18,001 - 20,000 lbs.	273.00
20,001 - 22,000 lbs.	315.00
22,001 - 24,000 lbs.	368.00
24,001 - 26,000 lbs.	420.00
26,001 - 28,000 lbs.	472.00
28,001 - 30,000 lbs.	525.00
30,001 and Over	578.00

During the third and fourth years of vehicle life, the tax shall be 75% of the scheduled rate; during the fifth year, 50% of the scheduled rate; during the sixth year, 37.5% of the scheduled rate and during the seventh and subsequent years, 25% of the scheduled rate, provided that tax will not be lower than \$175 for buses of over 25 passenger capacity and \$125 for buses of 25 and less seating capacity.

On all intracity buses operated by auto transportation companies in the business of transporting persons for compensation as a common carrier and operating within the limits of cities having populations in excess of 200,000, the tax shall be \$42 per year on all intracity buses operating. In cities of less than 200,000 but greater than 70,000 population, the tax shall be \$10.00 per year and for all intracity buses operating in cities of less than 70,000 population, the tax shall be \$2.00 per year.

All other buses will be taxed according to vehicle weight at a rate ranging from \$26.00 for buses with gross weight under 6,000 pounds to \$178.00 for buses with gross weights over 28,000 pounds, with an additional tax of \$32.00 being imposed for each ton of gross weight in excess of 28,000 pounds. In the fourth, fifth and sixth year of vehicle life the rate shall be 80% of the prescribed rates but not less than \$21; during the seventh, eighth and ninth year the tax shall be 60% of the prescribed rates but not less than \$16.00 and during the tenth and succeeding years, the tax shall be 40% of the prescribed rates but not less than \$12.00.

For registration year 1978, all trucks, trailers and buses must be registered for a fourteen month period to facilitate a change in the starting date of subsequent registration years. [M.S. 1978, 168.013, Subd. 1f].

The proceeds of the various taxes imposed on motor vehicles are collected by the registrar of motor vehicles, paid into the state treasury and credited to the highway user tax distribution fund. [M.S. 1978, 168.231].

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 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 the total of: 1) 33 1/3% of the ratio of 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 ratio of time spent in flight in the state compared to the total flight time within and without the state, in equated plan hours; and 3) 33 1/3% of the ratio 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 to 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. [M.S. 1978, 360.541].

All proceeds from the airflight property tax are deposited in the state treasury and credited to the airports fund. [M.S. 1978, 360.66].

Local Taxes

PROPERTY TAX

Exempt Property

All property is subject to the property tax unless it is specifically exempted by the Constitution or the Minnesota Statutes. [M.S. 1978, 272.01].

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; containers in the possession of the consumer during consumption if the sale of the commodities is subject to the sales tax; certain wetlands; and intangible personal property (money and credits). 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. [M.S. 1978, 272.02].

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. Non-commercial alternative energy sources installed before 1984 will be exempt beginning with taxes payable in 1979.

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 appraisal 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. [M.S. 1978, 273.01].

Each county assessor, aided by deputy and local assessors, determines the market value of all property except state-assessed property 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. [M.S. 1978, 273.11].

The limited market value system under current law is set to be phased out over a two year period. For taxes levied in 1979 payable 1980, the amount of increased value added will be equal to 10% of the previous year's limited market value, or 50% of the difference between this value and current year estimated market value, whichever is greater. For taxes levied in 1980 payable 1981, the remaining difference in the market value from the previous year together with any increase in market value which has occurred since the previous assessment shall be used for tax purposes. Thus, the property will be assessed at its fair market value beginning with taxes payable 1981. [M.S. 1978, 273.11].

If a taxpayer feels his or her property valuation is incorrect, there are recourses available through the Local Board of Review, the County Board of Equalization and the State Board of Equalization. [M.S. 1978, 274].

The state is responsible for the 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. The state is also primarily responsible for the assessment of tools, implements and machinery which are fixtures to public utility real property. In addition to these, the state will be responsible for evaluating and assessing railroad property.

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 1978 and 1979 assessment for determination of taxes payable in 1979 and 1980, respectively.

Real Property

Class	Description	Percent of Market Value Taxes Payable in:	
		1979	1980
1	Unmined Iron Ore	50%	50%
1A	"Low Recovery" Iron Ore	30-48 1/2%	30-48 1/2%
1B	Severed Mineral Interest Tax	25¢/acre, \$10 min. per parcel	25¢/acre, \$10 min. per parcel
3	Agricultural Non-Homestead	30%	25%
3	Commercial and Non-Commercial Seasonal Residential for Recreational Purposes	30%	25%

Real Property (Cont.)

Class	Description	Percent of Market Value Taxes Payable in:	
		1979	1980
3	Tools, Implements and Machinery which are Fixtures to Public Utility Real Property	33 1/3%	33 1/3%
3A	Commercial Seasonal Recreational Residential which Contains the Owner's Homestead with- in Certain Limitations:		
	First \$17,000 of Market Value ²	16%	12%
	Market Value in Excess of \$17,000 . . .	30%	25%
3B	Agricultural Homestead:		
	First \$17,000 of Market Value ²	16%	12%
	Market Value in Excess of \$17,000 . . .	30%	25%
3C	Non-Agricultural Homestead:		
	First \$17,000 of Market Value ²	20%	18%
	Market Value in Excess of \$17,000 . . .	33 1/3%	30%
3CC	Paraplegic Veteran's and Blind Person's and Disabled Person's Homesteads:		
	First \$28,000 of Market Value	5%	5%
	Market Value in Excess of \$28,000		
	Agricultural	30%	25%
	Non-Agricultural	33 1/3%	30%
3D	Non-Homestead Residential	40%	40%
	Examples:		
	1) Non-Homestead Single Family Dwelling, Duplexes, Triplexes and Dwellings With Four or More Units		
	2) Land of Title II of the National Housing Act		
3DD	Apartments With 3 or Less Units	40%	40%
3E	Timberland	20%	20%
4	All Other Real Property	43%	43%
	Examples:		
	1) Commercial, Industrial and Public Utility Land and Buildings, Railroads		
	2) Non-Commercial, Non-Industrial, Non- Public Utility Vacant Land		
None	Housing for Elderly or for Low and Mod- erate Income Families Financed by Direct Federal Loan, Federally Insured Loan Pursuant to Title II of the Na- tional 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%	20%
	Municipalities of Less Than 10,000 Population (structures only)	5%	5%

Real Property (Cont.)

Class	Description	Percent of Market Value Taxes Payable in:	
		1979	1980
None	Housing for Low Income, Elderly or Handicapped Persons Owned by an Entity Which has Entered into a Housing Assistance Payments Contract Under Section 8 Providing Assistant for 100% of the Housing Units ³	-	20%
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%	25%
	Four Stories or Less (structures only)	33 1/3%	33 1/3%

[M.S. 1978, 273.13].

¹Beginning 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 31 or 30%, but will be assessed at 43% of market value. Commercial Seasonal Recreational Residential property which contains the owner's homestead is assessed as 3A property within certain limitations but is not eligible for the homestead credit.

²Effective with the 1976 assessment and thereafter, the original homestead base value of \$12,000 is increased by \$1,000 for each increase of 3.5% in the homestead value index. The index is a measure of inflation according to the statewide sales prices of homestead property. The homestead value will be \$21,000 for taxes payable in 1980.

³This is a new class of property effective for taxes payable 1980. Prior to taxes payable year 1980 this property was valued using the appropriate assessment rate as determined from the property classification system then in effect.

Personal Property

Class	Description	Percent of Market Value Taxes Payable in:	
		1979	1980
2A	Mobile Homes		
	Homestead:		
	First \$28,000 Market Value (3CC) . . .	5%	5%
	First \$17,000 of Market Value (3C)*. .	22%	18%
	Market Value in Excess of \$28,000 (3CC) and \$17,000 (3C)	23%	30%
	Non-Homestead	40%	40%
3	Structures on Leased Public Lands in Rural Areas	33 1/3%	33 1/3%
3	Tools, Implements and Machinery Which are Fixtures to Public Utility Personal Property	33 1/3%	33 1/3%
3	Leased Agricultural Real Estate on Exempt Land	33 1/3%	33 1/3%
3F	Owner Occupied Residences on Leased Public or Railroad Lands	**	**
4	Structures on Leased Public Lands in Urban Areas and on Railroad Rights- of-Way	43%	43%
4	Leased All Other (Non-Agricultural) Real Estate on Exempt Land	43%	43%
4	Systems of Electric, Gas and Water Utilities	43%	43%
4	Billboards, Advertising Signs and Devices	43%	43%
4	Railroad Property***	-	43%

[M.S. 1978, 273.13].

*Effective with the 1976 assessment and thereafter, the original homestead base value of \$12,000 is increased by \$1,000 for each increase of 3.5% in the homestead value index. The index is a measure of inflation according to the statewide sales prices of homestead property. The homestead value will be \$21,000 for taxes payable in 1980.

**Buildings receive the classification rate as if they were homestead real property within the scope of Class 3B, or 3CC, whichever is applicable.

***First subject to ad valorem taxation for taxes payable year 1980.

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 deter-

mining its total property tax levy. This levy is subject to the levy limitations laws. There are two basic levy limitations laws relative to a local governmental unit's overall property tax levy. 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 county governments, cities and towns with statutory city powers having populations greater than 2,500 to a 6% increase in levy limit base over the levy limit base in the previous levy year.

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

Special levies required for such purposes as paying the local government's share of a matching fund program, or paying for the cost of principal and interest on bonded indebtedness, are not included in determining levy limitations. [M.S. 1978, 275.50, to 275.56].

Limitations on school district levies for purposes other than capital outlays, pupil transportation and community service are as follows:

- 1) For taxes payable in 1979, a school district may levy for all general and special school purposes an amount equal to the amount raised by 23 mills times the 1978 adjusted assessed value of the district.
- 2) For taxes payable in 1980, a school district may levy for all general and special school purposes an amount equal to the amount raised by 21 mills times the 1979 adjusted assessed value of the district.
- 3) A school may levy in excess of the above limits for certain costs it incurs. [M.S. 1975, 275.125].

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 15 mill (17 mill for taxes payable 1981) reduction in their school district rate for homestead property up to 160 acres for taxes payable in 1979 (240 acres in 1980 and in subsequent years) and a 10 mill reduction for all other agricultural property and non-commercial seasonal recreational residential property.

The mill rate used in the seven-county metropolitan areas 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 and 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 returned to the taxing districts in the seven-county areas via a distribution index based on market value of taxable real property and population. 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 a court case testing its constitutionality. [M.S. 1978, 473F].

Tax increment financing is another factor to be considered when determining 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 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."

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:

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

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

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:

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

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.

Special Assessments

Special assessments, which are also paid by property owners, involve the funding of such projects as streets, curbs, sidewalks, ditches and storm sewers. When any of these improvements is made to a person's property or to public property adjacent to a person's property, that person is considered to have benefited directly by it. 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. Amount for special assessments are added to, but enumerated separately, on the property owner's tax statement. They are not considered to be a tax on property. [M.S. 1978, 429].

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 on 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. [M.S. 1978, 276.04].

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 rate levies for those units in the respective county. [M.S. 1978, 276.10].

Railroad Property Tax

Beginning with property taxes payable 1982, railroads will be subject to the local property tax. For 1979, 1980 and 1981, they will pay a gross earnings tax equal to 2%. For property taxes payable 1980 and 1981, the Commissioner of Revenue will assess the property of each railroad and apply the statewide mill rate to arrive at a tax amount. If this amount is greater than the gross earnings tax paid, the railroad company shall be liable for the difference. If the gross earnings tax is the greater, the difference shall be refunded to the company.

Filing Requirements

Each railroad company doing business in Minnesota shall file annually with the Commissioner of Revenue information concerning the market value of the railroad on or before April 30.

Determining the Taxable Amount and Tax

In determining the market value of railroad property in Minnesota, a unit basis assessment is used. With unit basis assessment, the railroad company is assessed as a single system and the portion appropriate to the state is so allocated. For taxes payable 1980 and 1981, this amount for each company will be totaled and multiplied by the assessment ratio for commercial-industrial property (43%) to find the assessed value. This amount will be multiplied by the statewide mill rate.

For property taxes payable 1982 and thereafter, the Commissioner of Revenue will place a market value in the same manner as above. This value is then apportioned to the local taxing districts throughout the state in which the property is located. Taxes will then be levied in the same manner as on other commercial-industrial property.

Homestead Credit; Property Tax Refund

These are two credits against the property tax instituted to reduce the tax burden on homeowners. The property tax refund is administered via the income tax and is further explained in that section. The homestead credit is effectively an aid to local governments and is enumerated in that section.

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:

- a) Lands growing commercial forest type are taxed at 30% of the value of the estimated average annual growth.
- b) Temporarily non-productive forest type is taxed at five cents per acre if reforestation is agreed to, or 15 cents per acre in the event of non-compliance with the reforestation agreement.
- c) Permanently non-productive lands are taxed at five cents per acre.
- d) Lands used for management or administrative purposes are classified the same as adjoining lands under the tree growth tax law. Camps or temporary buildings are treated as class 3 property.
- e) 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.
- f) 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 ad valorem taxes. [M.S. 1978, 270.36].

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 interest, 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. After June 30, 1974, no new auxiliary forest contracts are allowed, although contracts entered into prior to that date run their full term as provided in the specific contracts. [M.S. 1978, 88.47].

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 per parcel. Interest 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 manner as general property taxes. The remaining 20% of the tax revenue received is deposited in state general fund and credited to the reservation residents' loan accounts and the non-reservation residents' loan accounts. These funds are used to provide loans to Indians for the purpose of starting or expanding a business. [M.S. 1978, 273.13, Subd. 2a].

LOCAL SALES TAXES

The local sales tax is presently used in some form in five Minnesota cities and the metropolitan area. Duluth is the only city using a general "piggyback" sales and use tax of 1% (2% on the furnishing of food or drink through June 30, 1979). In addition, a 3% hotel-motel tax is levied in Duluth (hotels and motels are exempted from the 1% piggyback tax) and the local sales taxes in other cities are selective as follows:

Bloomington	3% Hotel-Motel
Minneapolis*	3% Admissions, Amusement Devices and Transient Lodging
Rochester**	3% Hotel-Motel
St. Paul	3% Transient Lodging

*Minneapolis will also tax hotel-motel and liquor sales receipts at a rate to be determined for the financing of a new sports stadium.

**The metropolitan area, Minneapolis and Rochester sales taxes are remitted to the state along with the state sales tax, and the revenue are distributed to the appropriate local governments after costs of collection have been deducted. [Session Laws 1969, 1977 and 1979].

GROSS EARNINGS TAXES

Utility Companies Gross Earnings Tax

A number of cities levy taxes on the gross earnings of utilities. These taxes may be called gross earnings taxes or franchise taxes or some other name. They all assess a tax based on a percentage of the gross earnings of utilities serving their communities. The cities which levy this tax and their rates are listed on the following page.

Minneapolis	3%	White Bear Lake	1.5%
St. Paul	8.67%	Winona	1.5%
Coon Rapids	3%	Albert Lea	5%
South St. Paul	5%	Crookston	4%
St. Cloud	3%	Waseca	2%
West St. Paul	5%	Duluth	1.5%

In addition to these cities, a number of cities collect franchise fees from cable television companies. [M.S. 1978, 451.04].

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. [M.S. 1978, 295.37].

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 five 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.

Local Government Aid

The original Local Government Aid Law was enacted in 1971, replacing two specific aids dating back to 1967. Modifications have taken place over time with a rather extensive change occurring in the 1979 session.

Currently, the aid system is on a county basis; starting in calendar year 1980 the distribution system will be on a state basis.

The Local Government Aid Law is summarized as follows:

- I. The state shall make available for distribution \$64 per capita for calendar year 1980 and \$70 per capita for calendar year 1981. The 1970 federal census is the basis for this section. [M.S. 1978, 477A.01].
- II. Each county, except those in which a city of the first class is located, receives a distribution equal to the distribution it received in the previous year. Beginning in 1980, additional aid of \$1 per capita shall be given. This will be increased to \$2 for calendar year 1981. These increases in aid for county governments are appropriated in addition to the \$64 and \$70 per capita amounts.
- III. Starting in 1980, the distribution formula will be as follows:
 - (A) Cities and towns not subject to the 6% levy limitation (M.S. 275.50 to 275.56) receive the same amount that they received in 1979, plus:
 1. \$1 per capita if the equalized mill rate is 10 or less;
 2. \$3 per capita if the equalized mill rate is between 10 and 20 mills; and
 3. \$5 per capita if the equalized mill rate is greater than 20 mills.
 - (B) The city of Minneapolis receives the same amount of aid received in 1979.
 - (C) All other cities and towns that are subject to the 6% levy limitation receive aid based on the following method:

1. A preliminary state aid factor is determined by:

The municipality's "local revenue base" (1978/79 levy limit plus its 1979 local government aid) minus 10 mills times its 1978 equalized assessed value.

2. If the preliminary state aid factor is greater than the minimum and less than the maximum 1980 Local Government Aid amount, it becomes the "final state aid factor". If it is less than the 1980 Local Government Aid minimum amount, then that amount becomes the "final state aid factor." If it is greater than the 1980 Local Government Aid maximum amount, then that amount becomes the "final state aid factor."

3. The minimum and maximum 1980 Local Government Aid amounts discussed in number 2 above are defined as:

Minimum - The amount of aid received in 1979, plus an additional amount determined using average equalized mill rate according to the following schedule:

<u>Average Equalized Mill Rate</u>	<u>Additional Aid</u>
10 mills or less	\$1 per capita
10 mills - 20 mills	\$2 per capita
Over 20 mills	\$3 per capita

Maximum - The amount of aid received in 1979 plus a percentage increase dependent on 1979 Local Government Aid per capita according to the following schedule:

<u>1979 Per Capita Aid</u>	<u>Maximum Aid Percentage Increase</u>
\$50 or less	20%
\$50 - \$75	17%
\$75 - \$100	15%
Over \$100	12%

4. The "final state aid factor increase" for a city or town (its "final state aid factor" minus its 1979 Local Government Aid) is divided by the total of the "final state aid factor increases" for all cities and towns subject to the 6% levy limitation to determine the proportion of the additional amount of Local Government Aid (additional amount over the 1979 aid level) the city or town is to receive in 1980.

For 1981 and subsequent years, the formula will be the same except: the \$1, \$3 and \$5 per capita increases become \$1, \$4 and \$6 respectively; Minneapolis will be treated like all other municipalities, and the local

revenue base will be determined using the previous year's base adjusted for inflation, population increases and increases in property tax levies for street maintenance, refuse collections and capital replacement (if financed by bonded indebtedness).

The amount distributed is always at least equal to the amount distributed the previous year.

Attached Machinery Aid

The 1973 Legislature exempted from taxation certain real property which was ponderous, non-utility equipment (attached machinery). At the same time a replacement aid was established to offset this loss of taxable value. The county, city and town governments receive each year from the state an amount equal to the product of its total mill rate (for taxes payable in the year in which the aid is paid) and the total 1972 assessed value of exempt attached machinery within the territory of each respective governmental unit x 1.25. This aid is paid in two parts each year, on July 15 and November 15. [M.S. 1978, 273.138, Subd. 2].

School District Attached Machinery Aid

School districts receive an aid as a result of the 1973 Legislature's exemption of ponderous, non-utility 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) principal and interest on bonds, (2) principal and interest on debt service loans, (3) principal and interest on capital loans, (4) teacher retirement and (5) certain additional maintenance costs. This aid is paid in two parts each year, on July 15 and November 15. [M.S. 1978, 273.138, Subd. 3].

Aid to School Districts for Agricultural Mill Rate Differential Credit

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 15 mills (17 mills for taxes payable 1981) on the agricultural property receiving homestead, and 10 mills on all other agricultural lands and all real estate devoted to temporary and seasonal residential occupancy. [M.S. 1978, 273.132].

The property tax levies against these properties then reflect the appropriate reductions in the mill rates. 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% up to a maximum of \$325. For taxes payable 1980, these amounts increase to 50% and \$550 respectively, and for taxes payable 1981 they will be increased to 55% and \$600 respectively. For agricultural homesteads, up to 240 acres can be counted as homestead property.

An additional 57% or 66% taconite homestead credit, depending on location, is extended to homesteads located in certain iron range areas, up to a maximum reduction of \$360 at 57% and \$415 at 66% for taxes payable in 1980 and \$375 at 57% and \$430 at 66% for taxes payable in 1981.

The county auditor subtracts the amount of homestead credit from the bill and the taxpayer pays only the net amount. The state then reimburses each unit of government on July 15 and November 15 for the homestead credit allowed. 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. [M.S. 1978, 273.135].

Estate Tax Aid

Ten percent of the net inheritance and estate taxes collected by the state is distributed to the county governments of the counties from which it was collected and credited to each county's general revenue fund. The payment is made on or before the 15th of November each year for the collections made during the fiscal year ending June 30. [M.S. 1978, 291.33].

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. [M.S. 1978, 287.12].

Taconite Tax Aids

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

Taconite Production Tax Aid

The proceeds of the taconite production tax are distributed to the state general fund and to the cities, towns, school districts and counties in which taconite is mined and processed according to the following schedule:

- 1) 2.5¢ per ton to taconite cities or towns;
- 2) 12.3¢ per ton to the taconite municipal aid account;
- 3) 29¢ per ton to schools as follows:
 - a) 6¢ per ton to the taconite schools;
 - b) 23¢ per ton to those schools that qualify for the taconite homestead credit in direct proportion to their levies;

- 4) 19.5¢ per ton to counties as follows:
 - a) 15.5¢ per ton to the taconite counties;
 - b) 4¢ per ton is given to the taconite counties' road and bridge fund;
- 5) 25.7¢ per ton is given to the taconite homestead credit fund;
- 6) 1¢ per ton goes to the state;
- 7) 3¢ per ton to the Iron Range Resources and Rehabilitation Board (IRRRB);
- 8) .2¢ per ton to the Range Association of Municipalities and Schools.

The amount distributed to the counties and to the taconite homestead credit will increase with the steel price index. The local governments will also receive in 1978 and subsequent years an amount equal to the aid they received from the taconite railroad gross earnings tax distribution in 1977. For 1978 and subsequent years, the IRRRB will also receive an amount equal to the occupation taxes distributions it received in 1977. The remainder of the production tax will go to the Taconite Environmental Protection Fund, the Northeast Economic Protection Fund and the Department of Revenue for administrative costs.

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 credit 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. [M.S. 1978, 298.28].

Taconite Occupation Tax Aid

The collections from the occupation tax are distributed as follows:

- 1) 50% to the general fund;
- 2) 40% to elementary and secondary schools; and
- 3) 10% to the University of Minnesota.

[M.S. 1978, 298.17].

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.

Three major program areas constitute the major portion of the 1978-79 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. 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 55.26% of this cost; the state pays 60% of the remainder, and the counties the other 40% through the property tax levy beginning in 1978. For payments made after December 31, 1979 and before January 1, 1981, the states share will be 70%. For payments made after December 31, 1980, this rate will be 80%. [M.S. 1978, 256.82]. 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. Starting in 1980, the state's share increases to 70%; this share increases to 80% beginning in 1981. [M.S. 1978, 256F.36]. The supplements are paid because the federal government aids are less than were paid to these welfare recipients under the state program before it was taken over by the federal government. 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 lack of resources to pay for medical care as determined by statutory schedule and rules and regulations. The federal government finances about 55.26% of this, the state finances 90% of the remainder and the county finances the rest.

Second, 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 up to established state standards. The state's share here is also set to increase in 1980 and 1981. It will go from the present 50% to 60% in 1980 and 70% in 1981 and thereafter. General assistance payments in excess of these standards are financed 100% by the county. 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%. [M.S. 1978, 256D.03].

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

Another large portion of the 1978-1979 welfare appropriation goes to institutions. There are 9 state hospital complexes located in Anoka, Fergus Falls, Moose Lake, Rochester, St. Peter, Willmar, Faribault, Brainerd and Cambridge (including the Children's Home at Lake Owasso). There are two special schools in the state--the Braille and Sight Saving School and the School for the Deaf. Two state-operated nursing homes are also in operation, Ah-Gwah-Ching Nursing Home and the Glen Lake Sanatorium and Oak Terrace Nursing Home. [M.S. 1978, 253.015].

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

Education

Outlined below are four 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, which are used to equalize educational opportunities for students throughout the state. These differing amounts of aid are calculated by using pupil units as the basis for aid distributions.

A pupil unit weighting of 0.5 is counted for each child in kindergarten, 1.0 in grades 1 through 6, and 1.4 in grades 7 through 12.

An additional 0.5 pupil unit is counted for each child from a family receiving public assistance under Aid to Families with Dependent Children (AFDC). Also, a .5 pupil unit is counted for each handicapped pre-kindergarten and kindergarten pupil. In addition to the regular 0.5 units, there is another weighting for districts with a high concentration of AFDC students. If there is a 6% or more concentration of AFDC students in the district (that is, if 6% or more of the total pupil units computed pursuant to the previous paragraph come from AFDC homes), an additional 0.1 unit is counted for each AFDC child for each percent of concentration over 6%. 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:

At Least	But Less Than
6	7% = 0.1
7	8% = 0.2
8	9% = 0.3
9	10% = 0.4
10	11% = 0.5
Over	11% = 0.6

Districts which record a decrease in pupil units from one year to another either forfeit 0.4 of a unit instead of 1.0 unit for each unit of decrease, or the number of pupil units for the current year that is equal to the average of the actual pupil units for the current year plus the past three years, whichever is greater. For the 1978-1979 aid formula, the adjusted maintenance cost per pupil unit was set at \$1,095 less an amount (representing local effort) computed by applying a 28 mill rate to the 1976 adjusted assessed valuation (Equalization Aid Review Committee or EARC) of the district. For the 1979-80 school year, the amount is increased to \$1,182 per pupil unit less 27 mills times the

1977 EARC valuation. For the 1980-81 school year, \$1,265 per pupil is allowed less 23 mills times the 1978 adjusted assessed valuation of the district. [M.S. 1978, 124.212].

Beginning in the 1979-80 school year, districts of low density will receive "Sparsity Aid." This aid is based on the number of high school students and the degree to which they are dispersed throughout the district. [Session Laws, 1979].

Transportation Aid

The formula for determining transportation aid for school years 1979-80 and 1980-81 has been altered extensively from that used in the past.

A school district's aid will be equal to the district's aid entitlement per full-time equivalent pupil (FTE) times the number of FTE's transported in the district less one mill times the adjusted assessed valuation.

The entitlement is determined in the following manner. The total actual expenditure per FTE is compared to a predicted value. If the predicted value is greater, the aid entitlement per FTE is equal to the predicted cost minus the sum of 10% of the first \$10 difference; 20% of the next \$20 40% of the next \$20; 60% of the next \$50; and 75% of the difference that exceeds \$100.

If the predicted cost per FTE is less than the actual expenditure, the aid entitlement is equal to the predicted cost plus the sum of the following, 10% of the first \$10 of difference; 20% of the next \$20; 40% of the next \$20; 60% of the next \$50; and 75% of the difference which exceeds \$100.

The method by which the predicted costs are calculated are set out in the statutes. [Session Laws 1979].

Vocational Aid

Adult vocational aids pay 75% of teacher salaries and 50% of the cost of teacher travel for adult vocational programs. Secondary vocational aids for handicapped children pay 70% of teacher salaries. Schools will receive \$2,400 per student in average daily membership for fiscal year 1980, less local levies of .5 mill in Minneapolis, St. Paul, suburban Hennepin and Dakota counties and District 916 area vocational school, and 1 mill in all other schools and all revenue from tuition. These mills are based on EARC values. Instructional aid is given for "instructional programs;" these are defined as post secondary vocational-technical occupational program classified with a six-digit number by the Federal Office of Education. (This aid begins July 1, 1980). 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. Students are charged tuition of \$128 per quarter for post-secondary vocational education. Students in attendance of post-secondary vocational education programs are eligible for state funded scholarships, grants in aid and tuition subsidies. [M.S. 1978, 124.562].

Special Education

The state makes payments to school districts for the employment of teachers for the education of handicapped children.

These payments are equal to the greater of the following two criteria:

- (1) 69% of the salary of essential personnel with a maximum of \$12,000 per teacher plus an additional 5% of the salaries of such personnel without limitation,
- (2) 70% of the salary of essential personnel for the normal school year.

The state will also pay 50% of the cost of supplies and equipment used for the instruction of handicapped children, limited to \$50 per handicapped student. [M.S. 1978, 124.32, Session Laws. 1979].

The Department of Education also administers many other minor aids too numerous to mention and also acts as a channel for federal aid to the school districts. [M.S. 1978, 124.62].

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 town 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.

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.

The money in the County State-Aid Highway Fund is distributed as follows: a) ten percent shall be apportioned equally among the 87 counties; b) ten percent shall be apportioned on the basis of county vehicle registration as a percentage of the state total; c) thirty percent shall be apportioned on the basis of the county state-aid highway mileage as a percentage of the state's total county state-aid highway mileage, and d) fifty percent shall be apportioned on the basis of the county money needs of as a percentage of the total money needs of all the counties. [M.S. 1978, 162.07].

The money in the Municipal State-Aid Street Fund is distributed as follows: a) fifty percent shall be apportioned on the basis of the money needs of any city over 5,000 in population as a percentage of the total money needs of all cities over 5,000 in population; and b) fifty percent shall be apportioned on the basis of a city's population over 5,000 as a percentage of the total population of all cities over 5,000 population within the state. [M.S. 1978, 162.09].

MINNESOTA STATE TAX COLLECTIONS
Fiscal Years Ending June 30, 1978 and June 30, 1979

	Fiscal Year 1978				Fiscal Year 1979				Change in Net Amounts	
	Gross	Refund	Net		Gross	Refund	Net		Difference	Percent Change
			Amount	% of Total			Amount	% of Total		
	(000's)	(000's)	(000's)		(000's)	(000's)	(000's)		(000's)	
Income Tax										
Individual	\$1,405,072	\$311,543	\$1,093,529	40.97%	\$1,671,206	\$384,851	\$1,286,355	41.84%	\$192,826	17.63%
Corporation	293,646	24,673	268,973	10.08	347,284	23,158	324,126	10.54	55,153	20.50
Bank Excise	26,972	3,092	23,880	.90	33,059	451	32,608	1.06	8,728	36.55
Employer's Excise Tax	19,016	0	19,016	.71	4,542	0	4,542	.15	-14,474	-76.12
Inheritance and Gift Tax										
Inheritance	32,707	609	32,098	1.20	38,483	639	37,844	1.23	5,746	17.90
Gift	2,155	159	1,996	.08	3,045	61	2,984	.10	988	49.50
Sales and Excise Tax										
General Sales and Use	539,388	913	538,475	20.17	610,492	1,713	608,779	19.80	70,304	13.06
Motor Vehicle Excise	84,357	124	84,233	3.16	96,950	124	96,826	3.15	12,593	14.95
Highway Gasoline	214,808	11,406	203,402	7.62	225,475	11,004	214,471	6.98	11,069	5.44
Aviation Gasoline	3,052	967	2,085	.08	3,141	1,233	1,908	.06	-177	-8.49
Intoxicating Liquor	42,647	0	42,647	1.60	42,888	0	42,888	1.40	241	.57
Fermented Malt Beverage	9,898	0	9,898	.37	10,924	0	10,924	.36	1,026	10.37
Cigarette	82,974	321	82,653	3.10	83,752	320	83,432	2.71	779	.94
Tobacco Products	2,140	246	1,894	.07	2,196	202	1,994	.06	100	5.28
Mortgage Registry	8,832	7	8,825	.33	10,114	4	10,110	.33	1,285	14.56
Deed Transfer	10,526	6	10,520	.39	10,811	2	10,809	.35	289	2.75
Gross Earnings Tax										
Telephone	42,625	0	42,625	1.60	48,215	6	48,209	1.57	5,584	13.10
Telegraph	231	0	231	.01	247	1	246	.01	15	6.49
Railroad, Regular	21,895	2	21,893	.82	25,503	3	25,500	.83	3,607	16.48
Railroad, Taconite	1,510	0	1,510	.06	3,267	0	3,267	.11	1,757	116.36
Express	*	0	*	**	*	0	*	**	*	**
Freight Line	736	0	736	.03	836	0	836	.03	100	13.59
Rural Electric Cooperatives	36	0	36	**	37	0	37	**	1	2.78
Boxing Exhibition	7	0	7	**	4	0	4	**	-3	-42.68
Severance and Tonnage Tax										
Royalty Tax on Iron Ore	945	0	945	.03	882	0	882	.03	-63	-6.67
Royalty Tax on Taconite	1,905	0	1,905	.07	4,046	0	4,046	.13	2,141	112.39
Royalty Tax on Copper-Nickel	3	0	3	**	21	0	21	**	18	6.00
Occupation Tax on Iron Ore	3,946	0	3,946	.15	4,522	0	4,522	.15	576	14.60
Occupation Tax on Taconite	6,247	0	6,247	.23	25,604	0	25,604	.83	19,357	309.86
Taconite Tonnage (Production)	48,810	0	48,810	1.83	69,221	0	69,221	2.25	20,411	41.82
Property Tax										
Delinquent State Property	2	0	2	**	1	0	1	**	-1	-50
Forfeited Property	*	0	*	**	*	0	*	**	*	**
In Lieu of Property Taxes										
Motor Vehicle Licenses	111,429	0	111,429	4.17	116,702	0	116,702	3.80	5,273	4.73
Airflight Property	3,759	0	3,759	.14	3,420	0	3,420	.11	-339	-9.02
Licenses and Permits										
Cigarette	18	0	18	**	19	0	19	**	1	5.56
Tobacco	5	0	5	**	5	0	5	**	*	**
Petroleum Inspection	882	0	882	.03	999	0	999	.03	117	13.27
Petroleum	50	0	50	**	62	0	62	**	12	24.00
TOTAL ***	\$3,023,231	\$354,068	\$2,669,163	100.00%	\$3,497,975	\$423,772	\$3,074,203	100.00%	\$405,040	15.17%

* Less than \$500.

** Less than .005%.

*** This does not constitute total Minnesota revenue. Certain license fees have been left out.

MINNESOTA LOCAL TAX COLLECTIONS***

	Fiscal Year 1977		Fiscal Year 1978		Change	
	Amount (000's)	Percent Distribution	Amount (000's)	Percent Distribution	Amount (000's)	Percent
<u>Property Taxes¹</u>						
Real Property ²	\$1,165,091	88.70%	\$1,213,916	88.58%	\$48,825	4.19%
Personal Property	43,295	3.30	43,651	3.19	356	.82
Special Assessments ³	71,299	5.43	73,348	5.35	2,049	2.87
Mobile Home Property ³	5,653	.43	5,803	.42	150	2.65
Rural Power Lines	7,561	.58	9,832	.71	2,271	30.04
<u>Sales Taxes</u>						
Bloomington	1,165	.09	1,018	.08	-147	-12.62
Duluth 1%	2,992	.23	3,949	.29	957	31.98
Duluth 3%	208	.02	246	.02	38	18.27
Minneapolis	1,853	.14	1,939	.14	86	4.64
Rochester	522	.04	560	.04	38	7.28
St. Paul	217	.01	134	.01	-83	-38.25
<u>Franchise Fees</u>						
Minneapolis	4,627	.35	5,502	.40	875	18.91
St. Paul	8,896	.68	10,529	.77	1,633	18.36
<u>Sand and Gravel Taxes</u>						
Clay	48	*	50	*	2	4.17
Norman	8	*	**	*	**	*
Wilkin	3	*	2	*	-1	-33.33
Grand Total	\$1,313,438	100.00%	\$1,370,479	100.00%	\$57,049	4.34%

Footnotes

¹ Fiscal year 1977 property taxes were levied in calendar year 1976 and were payable in calendar year 1977. Fiscal year 1978 property taxes were levied in calendar year 1977 and were payable in calendar year 1978. Taxes on mobile homes are levied and payable in the same year.

²

	FY 1977	FY 1978	Change	
			Amount	Percent
			(000's)	(000's)
<u>After Credits</u>				
Regular Homestead Credit	\$225,496	\$234,439	\$8,943	3.97%
Taconite Homestead Credit	9,067	9,525	458	5.05
Agricultural Credit	29,500	35,165	5,665	19.20

³

<u>After Homestead Credits</u>				
Regular Homestead Credit	\$ 2,614	\$ 2,944	\$ 330	12.62%
Taconite Homestead Credit	346	366	20	5.78

* Less than .005%.

** Less than \$500.

*** This does not constitute total Minnesota revenue. Certain fees have been left out.