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# MINNESOTA TAX HANDBOOK

*A PROFILE OF STATE AND LOCAL TAXES  
IN MINNESOTA*

*1980-81 Edition*

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## Minnesota Tax Handbook

### A Profile of State and Local Taxes in Minnesota 1980-81 Edition

This handbook contains a summary of the state and local tax system in Minnesota. The first section provides a brief profile of each tax type, including tax base and rates, collection amounts, comparisons with selected states, and historical summaries. The second section provides a description of the state-local fiscal system in Minnesota, and provides information on state and local tax collections.

Note: Collection amounts stated for the various taxes refer to net collections after refunds. The comparison information for selected states is based on laws in existence for 1980.

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## SECTION ONE



# INCOME TAXES

## INDIVIDUAL INCOME TAX

(M.S. 290.03)

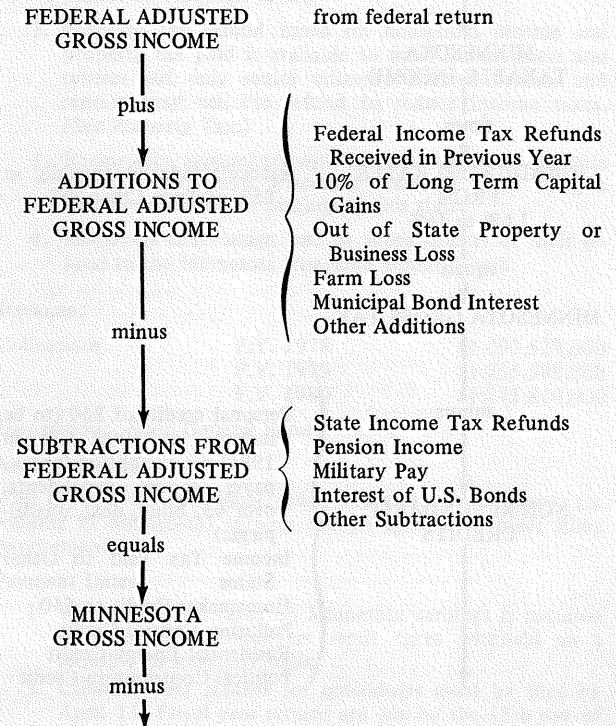
**Tax Base:** Federal adjusted gross income plus or minus state modifications.

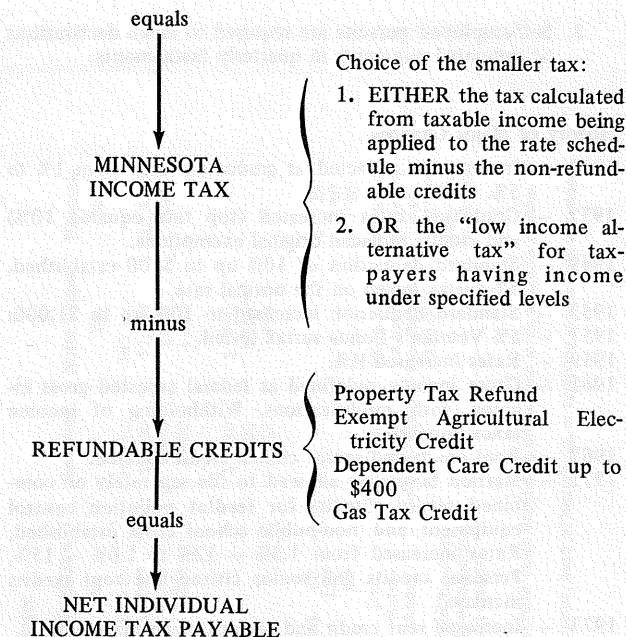
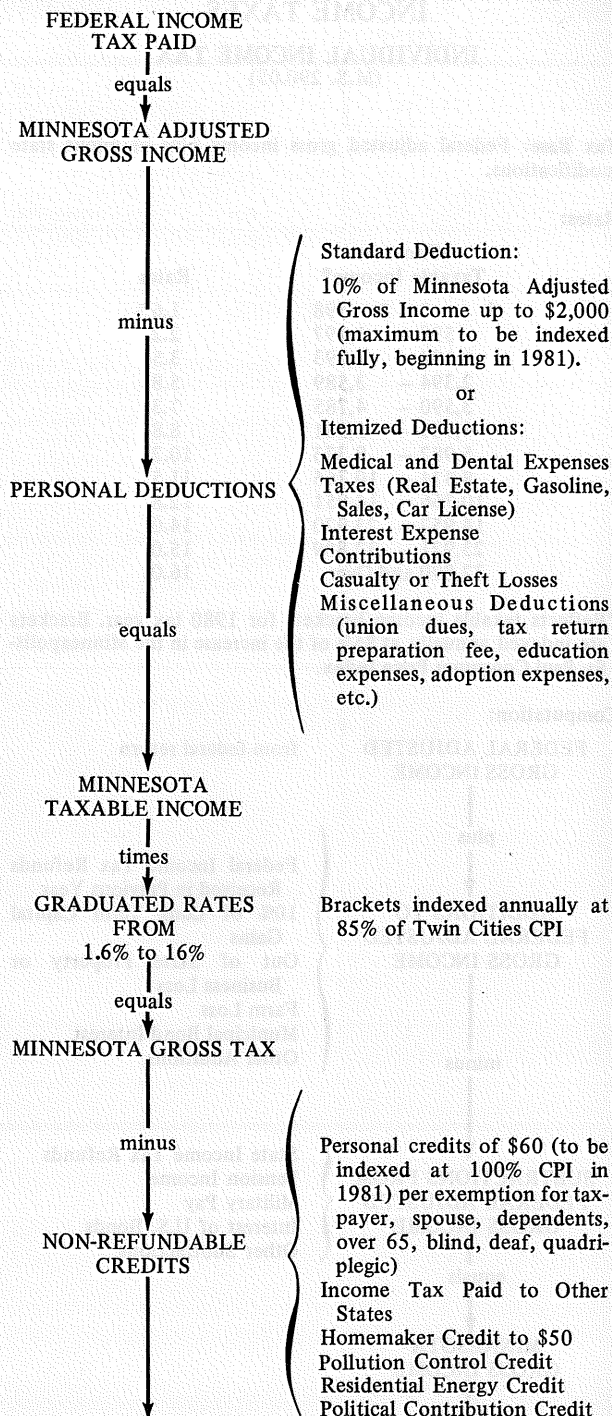
### Rates:

Minnesota Taxable Income*	Rates
\$ 0 - \$ 598	1.6%
599 - 1,197	2.2
1,198 - 2,393	3.5
2,394 - 3,589	5.8
3,590 - 4,785	7.3
4,786 - 5,981	8.8
5,982 - 8,373	10.2
8,374 - 10,765	11.5
10,766 - 14,951	12.8
14,952 - 23,920	14.0
23,921 - 32,889	15.0
32,890 and Over	16.0

\*Reflects taxable income brackets for 1980 tax year. Brackets are indexed annually at 85% of the increase in the Minneapolis-St. Paul Consumer Price Index.

### Computation:





#### Special Provisions:

1. Taxpayer may assign \$2 from general fund to political parties or campaign funds.
2. Property tax refund based on household income and property tax paid is available to most homeowners and renters but only senior citizens, disabled persons and renters may use the refund to reduce income taxes. (See Property Tax.)
3. Reciprocity agreements with neighboring states exempts North Dakota and Wisconsin residents from filing a Minnesota return on earnings in this state.
4. Taxpayers may assign one or more dollars of their refund to the Minnesota Nongame Wildlife Fund.

#### Revenue:

Collections:	F.Y. 1978	\$1,093,529,000
	F.Y. 1979	\$1,255,998,000
	F.Y. 1980	\$1,271,810,000

Disposition: State General Fund

#### Administration

Who Pays: Every individual, trust, and estate in Minnesota (or residing in Minnesota) earning enough income to meet filing requirements.

#### Payment Dates:

1. Withholding of taxes on Minnesota earnings is required of employers. Employers remit taxes withheld on a monthly or quarterly basis.
2. Calendar year returns for individuals must be filed by April 15. Fiscal year returns are due by the 15th day of the 4th month following the close of the fiscal year.

3. Self-employed persons are required to make declarations of estimated payments in quarterly installments.

### History of Major Changes

- 1933 - Income Tax enacted at graduated rates from 1% to 5%.
- 1937 - Graduated rates increased (top rate equaled 10%) and credits replaced original exemptions.
- 1949 - Standard deduction of 10% up to \$500 established. 5% surtax levied on the normal rate.
- 1953 - Standard deduction increased to 10% up to \$1,000.
- 1957 - 5% Veteran's Bonus surtax levied.
- 1959 - Rates increased ½%.
- 1961 - Gross income redefined as federal adjusted gross income with modifications. Withholding of income taxes imposed.
- 1967 - Rent credit and senior citizen credit enacted.
- 1971 - Married taxpayers allowed to file separately on combined return. Credits for feedlot pollution control equipment and non-public school costs established. Rates increased from 1.5% - 12% to 1.6% - 15%. Personal credits and senior citizen and rent credits increased.
- 1973 - Increased rent credit and senior citizen tax credit.
- 1974 - Low income credit and political contribution credits adopted. Dollar checkoff for Minnesota state elections campaign fund instituted.
- 1975 - Additional personal credits for deaf or blind taxpayers allowed. Rent credit replaced by income adjusted homestead credit. Low income credit levels increased.
- 1977 - Exemption for military pay repealed. Minimum tax on preference items imposed. Out of state income included in definition of income. Dependent care credit established. Maximum rate increased to 18%. Personal credits increased to \$30 each. Pension income exclusion limited to \$7,200. Income adjusted homestead credit becomes Property Tax Refund.
- 1978 - 18% top rate rescinded. Personal credits increased to \$40. Homemaker and National Guard credits allowed. Pension income exclusion modified. Low income credit levels and political contribution credit increased.
- 1979 - Personal credits increased; to be indexed after 1980. Standard deduction increased to 10% up to \$2,000 (to be indexed after 1980). Low income credit levels increased. Income tax brackets indexed at 85% of increase in CPI. 17% top rate rescinded. Pension income exclusion increased to \$10,000. National Guard credit replaced by income exclusion of military pay. Political contribution credit and property tax refund increased. Credits allowed for pollution control expenditures and renewable energy source expenses.
- 1980 - Pension income exclusion increased to \$11,000. Low income credit levels increased. Checkoff for non-game wildlife instituted. Deduction of \$200 per person for interest and dividends allowed. Low income credit changed to low income alternative tax. Dependent care credit increased to federal levels.

### Comparison With Other States

	California	Illinois	Iowa	Michigan	MINNESOTA	New York	North Dakota	Wisconsin
<b>Federal Tax Deduction</b>								
<b>Standard Deduction</b>								
Single	\$1,290	No	15% to: \$1,200	No	10% to: \$2,000	16% to: \$2,400	16% to: \$2,400	No \$2,300*
Joint	2,580		3,000		2,000	2,400	2,800	3,400
Married, Separate	1,290		1,200		2,000	2,400	1,400	
<b>Personal Exemptions</b>								
Single		\$1,000		\$1,500		\$ 750	\$ 750	
Joint		2,000		3,000		1,500	1,500**	
Dependent		1,000		1,500		750	750	
<b>Personal Credits</b>								
Single	\$ 32		\$ 17		\$ 60			\$ 20
Joint	64		34		120			40
Dependent	10		12		60			20
<b>Rates</b>	1% to 11% on income over \$20,450	2½% on taxable net income	0.5% to 13% on taxable income over \$75,000 (Indexes tax brackets and credits)	4.6% of gross income	See Rates Above (Indexes brackets, standard deduction, and credits)	2% to 14%*** on income over \$23,000	1% to 7.5% on taxable income over \$30,000	3.4% to 10% on income over \$40,000 (Indexes tax brackets)

South Dakota and Texas do not impose personal income taxes.

\*In lieu of the standard deduction, Wisconsin allows a low income deduction in certain cases depending on income level, age, and number of dependents.

\*\*North Dakota allows an additional \$300 exemption if filing status is married filing joint, head of household, or surviving spouse with dependent child.

\*\*\*New York has a 10% maximum rate on personal service income.

# CORPORATION INCOME TAX

(M.S. 290.02)

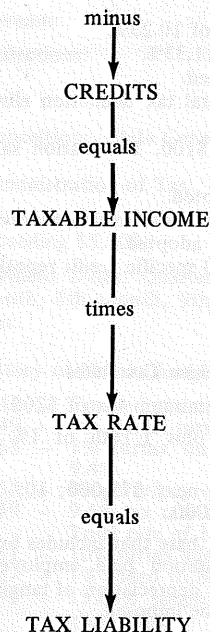
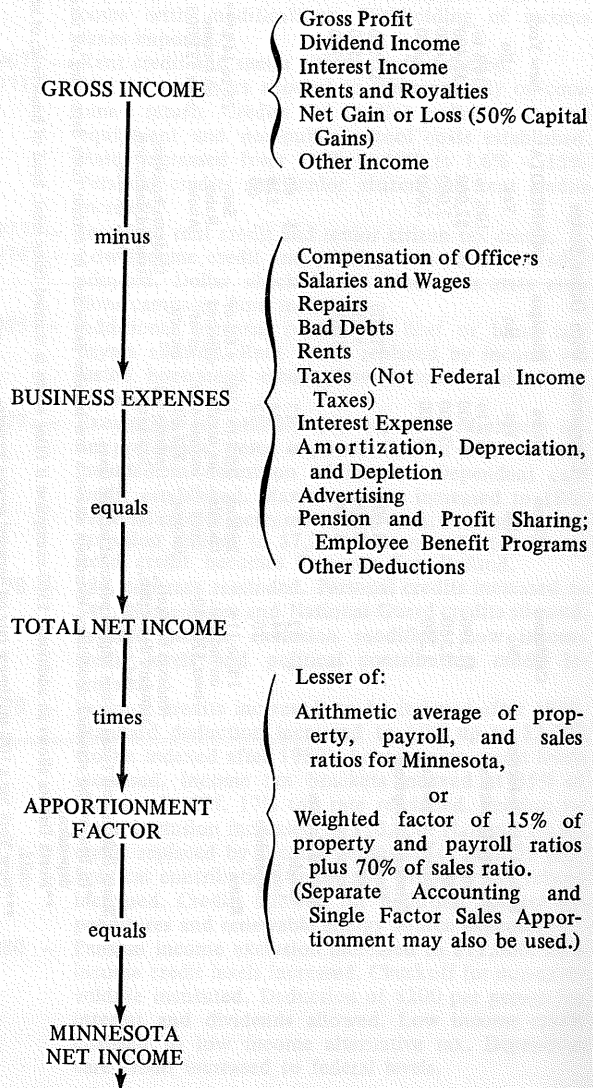
**Tax Base:** Minnesota taxable net income of the corporation.

**Rate:** 12% of net income. 40% of federal minimum preference tax liability.

**Major Exemptions:**

- Non-profit corporations
- Cooperative associations
- Credit unions
- National and state banks
- Mining companies subject to Occupation Tax

**Computation:**



Contributions (limited to 15% of taxable income).  
85% Dividend Credit (higher for certain corporate groups).

Flat 12% tax rate.  
Credits against tax include:  
Pollution control credit  
Gross premiums tax credit  
Energy credit  
Exempt Agricultural Electric Credit  
Minimum tax on preference items (40% of federal) is added.

## Revenue

Collections:	F.Y. 1978	\$268,973,000
	F.Y. 1979	\$324,126,000
	F.Y. 1980	\$345,223,000

Disposition: State General Fund

## Administration

**Who Pays:** Domestic and foreign corporations which do business in Minnesota and have gross income exceeding \$5,000.

**Payment Dates:** Quarterly payments due by 15th day of 3rd month, 6th month, 9th month, and 12th month of the tax year.

## History of Major Changes

- 1933 — Enacted with rates graduated from 1% to 5% and a specific credit against income of \$1,000 established.
- 1937 — 7% flat rate adopted; 6% rate effective after 1938. Property/payroll credit enacted.
- 1939 — Manufacturing firms given arithmetic/weighted option.
- 1947 — Specific credit reduced to \$500. \$10 minimum tax adopted.
- 1949 — 5% special surtax added; additional \$5 fee imposed. Total rate of 6.3%.
- 1953 — Non-manufacturing firms allowed apportionment option.
- 1955 — 1% surtax on taxable income added; total rate of 7.3%.
- 1957 — Property/payroll credit repealed.
- 1959 — 7.5% tax rate adopted; 1.8% additional levy imposed. Total rate of 9.3%.



- 1961 - 10% surtax added; total rate of 10.23%.
- 1967 - 1% rate added; total rate of 11.33%.
- 1969 - Pollution control credit enacted.
- 1971 - Rate increased to 12%. Federal tax deduction eliminated.
- 1973 - Minimum tax increased to \$100. Destination sales basis adopted.
- 1977 - Minimum preference tax adopted.
- 1979 - Pollution control equipment credit reinstated retroactive to 1977. Energy credit adopted.
- 1980 - \$100 minimum tax and \$500 specific credit repealed (effective after 1980).

#### Comparison With Other States

##### Income/Franchise Tax Rates

California	9.6% of net income; minimum tax of \$200.
Illinois	6.5% of net income plus 1/10th of 1% on capital and surplus.
Iowa	6% first \$25,000; 8% next \$75,000; 10% of net income over \$100,000.
Michigan	2.35% of adjusted tax base that includes business income, compensation paid employees, interest payments, and depreciation of tangible assets. Local tax may be imposed.
MINNESOTA	12% of net income.
New York	10% of net income or 0.178% of capital or 3% of net income plus compensation paid to all officers and certain stockholders less \$15,000, or \$250 whichever is greater. Additional tax on subsidiary capital of 0.9 mills per dollar. Local tax on income may be imposed.
North Dakota	3% first \$3,000; 4% next \$5,000; 5% next \$7,000; 6% next \$10,000; 8½% of net income over \$25,000.
South Dakota	No tax.
Texas	No tax on income; 0.425% of capital stock, surplus, and undivided profits.
Wisconsin	Rates graduated from 2.3% to 7.9% on net income over \$6,000.

#### BANK EXCISE TAX (M.S. 290.361)

**Tax Base:** Bank taxable net income.

**Rates:** 12% of net income. 40% of federal minimum preference tax liability.

#### Credits:

- Contribution credit.
- Dividend Received credit.

#### Revenue

Collections:	F.Y. 1978	\$23,880,000
	F.Y. 1979	\$32,608,000
	F.Y. 1980	\$36,093,000

Disposition: State General Fund

#### Administration of Tax

Who Pays Tax: National and state banks having gross income exceeding \$5,000.

Payment Dates: Quarterly payments due by 15th day of 3rd month, 6th month, 9th month, and 12th month of the tax year.

#### History of Major Changes

- 1941 - Enacted at a rate of 8% of net income.
- 1949 - 5% special surtax added; total rate of 8.4%.
- 1955 - 1% surtax on taxable income added; total rate of 9.4%.
- 1957 - Property/payroll credit repealed.
- 1959 - 9.5% tax rate adopted; 1.9% additional levy imposed. Total rate of 11.4%.
- 1961 - 10% surtax added; total rate of 12.54%.
- 1967 - 1% added to base rate; total rate of 13.64%.
- 1971 - 13.64% single rate adopted. Federal tax deduction eliminated.
- 1973 - Rate reduced to 12%.
- 1980 - \$100 minimum tax repealed. \$500 specific credit repealed.

#### Comparisons With Other States

State	Base and Rate
California	Franchise tax of 11.6%.
Illinois	Value of shares subject to local property tax rates.
Iowa	5% of net income.
Michigan	Taxed under single business tax. (See Corporation Income Tax.)
MINNESOTA	12% on net income.
New York	12% on net income or alternative base if greater tax results.
North Dakota	5% of net income. Additional 2% privilege tax rate is imposed.
South Dakota	6% of net income.
Texas	Actual share value less assessed value of real estate is subject to local property tax rate.
Wisconsin	Rates graduated from 2.3% to 7.9% on net income.



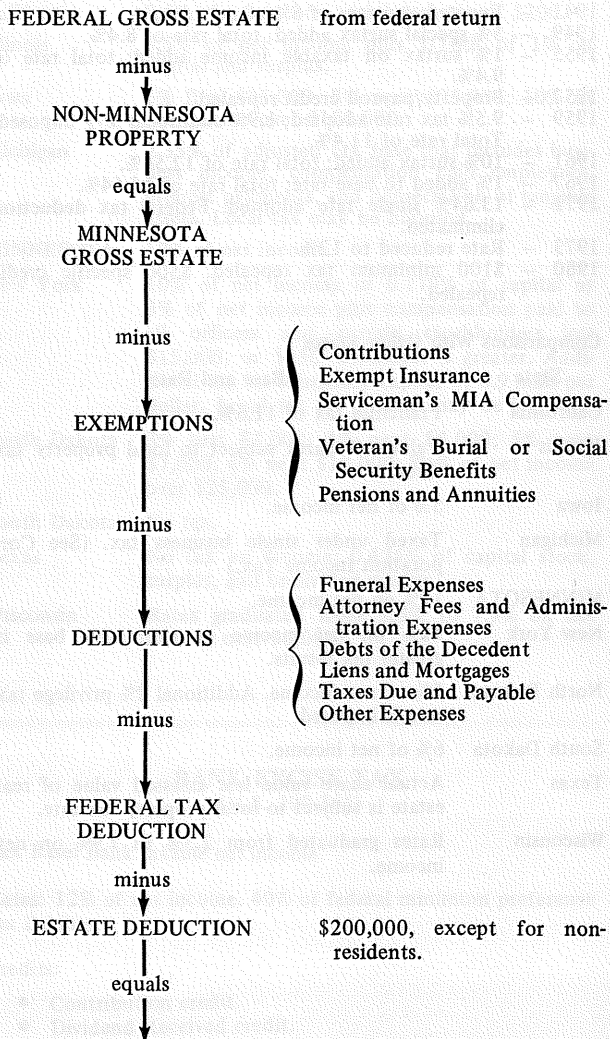
# ESTATE TAX (M.S. 291.01)

Tax Base: Federal gross estate less exemptions and deductions.

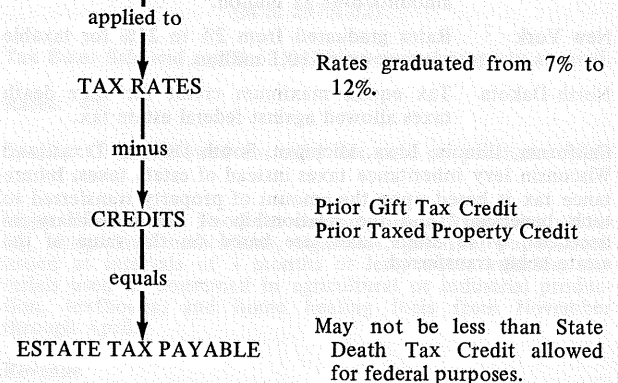
## Rates:

Minnesota Taxable Estate	Rate
\$ 0 – \$ 100,000	7%
100,000 – 200,000	8
200,000 – 300,000	9
300,000 – 500,000	10
500,000 – 1,000,000	11
1,000,000 and Over	12

## Computation:



# MINNESOTA TAXABLE ESTATE



## Revenue

Collections:	F.Y. 1978	\$34,094,000*
	F.Y. 1979	\$40,828,000*
	F.Y. 1980	\$41,919,000*

\*Reflects collections from inheritance and gift tax which was repealed effective January, 1980.

Disposition: 90% to State General Fund  
10% returned to counties

## Administration

Who Pays: Personal representative submits a return for the estate. For 1980, return required if federal gross estate exceeds \$161,000. After 1980, filing requirement increases to \$175,000.

Payment Dates: Tax due within nine months after death. Under certain conditions, installment payments may be elected.

## History of Major Changes

- 1905 – Minnesota inheritance tax first adopted. Individual successions to property taxed at rates from 1.5% on inheritances less than \$50,000 to 5% on inheritances over \$100,000.
- 1911 – Exemptions of \$10,000 for spouses to \$100 for non-relatives provided. Rates from 1% on inheritances less than \$15,000 to 20% on amounts over \$100,000 adopted, depending on the relationship of the heir.
- 1937 – Gift tax enacted to prevent evasion of inheritance tax. Inheritance taxes increased from a maximum of 20% to 60%, not greater than 35% of value of property.
- 1959 – Rates changed and exemptions increased.
- 1976 – Homestead exemption increased to \$45,000. Optional marital exemption of 50% of the gross estate to \$250,000 adopted. Marital exemption increased to \$60,000 and equalized between spouses. Exemption for minor child increased to \$30,000.
- 1979 – Inheritance and gift tax repealed; replaced by estate tax with rates graduated from 7% to 12%.

## Comparison With Other States

MINNESOTA	Rates graduated from 7% to 12% for taxable amounts over \$1 million.
New York	Rates graduated from 2% to 21% for taxable amount over \$10.1 million.
North Dakota	Tax equals maximum credit for state death taxes allowed against federal estate tax.

California, Illinois, Iowa, Michigan, South Dakota, Texas, and Wisconsin levy inheritance taxes instead of estate taxes. Inheritance tax is based upon the amount of property transferred to each beneficiary and the relationship of the beneficiary to decedent, while estate taxes are based on the value of the estate being transferred.

## STATE SALES AND EXCISE TAXES

### SALES AND USE TAX

(M.S. 297A.02)

**Tax Base:** Sale and rental of tangible personal property at retail.

**Rates:** 4%

**Credits:** Credit allowed for sales tax paid on purchases made out of state.

**Major Exemptions:** Food for consumption off premises, clothing, drugs and medications, cigarettes, gasoline, publications issued at intervals of 3 months or less, motor vehicles, materials used or consumed in agricultural or industrial production, textbooks, and home heating fuels from November through April.

#### Revenue

Collections:	F.Y. 1978	\$538,475,000
	F.Y. 1979	\$615,854,000
	F.Y. 1980	\$657,167,000

**Disposition:** State General Fund

#### Administration

**Who Pays:** Purchasers or consumers of taxable goods and services.

**Who Remits:** Holders of Minnesota Sales and Use Tax Permits and direct pay permits collect and remit the tax.

**Due Dates:** Monthly returns — 25th day of the month following the sales month. Quarterly returns — 25th of the month following the sales quarter. Annual returns — January 25th of the year following the sales year.

#### History of Major Changes

- 1967 — Sales tax enacted at 3 percent rate.
- 1971 — Rate increased to 4 percent, except for receipts of coin operated vending machines.
- 1972 — Motor vehicles subject to the motor vehicle excise tax exempted.
- 1978 — Residential heating fuel exempted during the months of November-April.

#### Comparison With Other States

	Rate	Local Option Sales Tax
California	4.75%	Yes*
Illinois	4.00%	Yes
Iowa	3.00%	No
Michigan	4.00%	No
MINNESOTA	4.00%	No
New York	4.00%	Yes
North Dakota	3.00%**	No
South Dakota	5.00%***	Yes
Texas	4.00%	Yes
Wisconsin	4.00%	****

\*Additional 1¼% state administered sales and use tax imposed in every county.

\*\*2% on farm machinery and irrigation equipment.

\*\*\*1% of rate designated for railroad and imposed for one year or until railroad is paid (effective May 1, 1980).

\*\*\*\*Authorized but not imposed as of January 1, 1980.

Of the comparison states, only South Dakota does not provide an exemption for food products. Prescription drugs are also generally exempted in these states. Only Minnesota provides an exemption for clothing.

## MOTOR VEHICLE EXCISE TAX (M.S. 297B.02)

**Tax Base:** Selling price of any motor vehicle required to be registered in Minnesota.

**Rate:** 4% of purchase price.

**Credits:** Credit allowed for tax paid to other states.

**Major Exemptions:** Purchases by governmental units and non-profit organizations, transfers between husband and wife and parent and child, and purchases for resale.

### Revenue

Collections:	F.Y. 1978	\$84,233,000
	F.Y. 1979	\$96,855,000
	F.Y. 1980	\$88,698,000

**Disposition:** State General Fund

### Administration

**Who Pays:** Purchasers of motor vehicles required to be registered in Minnesota.

**Payment Dates:** Tax is paid when the vehicle is first registered to operate on state streets and highways.

### History of Major Changes

1971 — Enacted at a rate of 3%. 1971 special session increased rate from 3% to 4%.

### Comparison With Other States

MINNESOTA 4% of purchase price.

North Dakota 3% of purchase price.

South Dakota No tax.

Other states tax motor vehicles under state and local sales and use tax. In California, the rate is 6%. A 4% rate applies in Illinois, Michigan, New York, Texas, and Wisconsin. Iowa's rate is 3%.

## MOTOR FUELS TAX (M.S. 296.02)

**Tax Base:** Gallons of fuel used in highway vehicles and aircraft.

**Rate:** 11 cents per gallon.

**Credits:** Taxes paid on fuel used for non-highway use may be claimed as a credit on the taxpayer's income tax return. Aviation fuel taxes are refundable on a graduated basis, depending upon the number of gallons purchased.

**Exemptions:** Petroleum substitutes produced from waste products are exempt from taxation.

### Revenue

		Highway Fuels	Aviation Fuels
Collections:	F.Y. 1978	\$203,521,000	\$2,084,000
	F.Y. 1979	\$214,596,000	\$1,908,000
	F.Y. 1980	\$202,789,000	\$2,106,000

**Disposition:** Highway Fuels — 99.25% to Highway Users Fund and 0.75% to Department of Natural Resources. Aviation Fuels — State Airports Fund.

### Administration

**Who Pays:** Distributors of gasoline pay and remit the tax. Sellers of special fuels collect and remit tax.

**Payment Dates:** 23rd day of month following sale.

### History of Major Changes

1925 — Enacted at two cents a gallon.  
1919 — Increased to three cents a gallon.  
1937 — Temporary increase to four cents a gallon.  
1941 — Four cent rate made permanent.  
1949 — Increased to five cents a gallon.  
1963 — Increased to six cents a gallon.  
1967 — Increased to seven cents a gallon.  
1975 — Increased to nine cents a gallon.  
1980 — Increased to eleven cents a gallon; gasohol produced in Minnesota is taxed at four cents per gallon less than the regular gasoline excise tax.

### Comparison With Other States

#### Rates Per Gallon

California	Gasoline and highway fuels 7 cents, jet fuel 2 cents, LPG and LNG 6 cents, compressed natural gas 7 cents per 100 cubic feet.
Illinois	7.5 cents.
Iowa	Gasoline 10 cents; diesel fuel 11.5 cents.
Michigan	Gasoline 11 cents; diesel fuel 9 cents; aircraft 3 cents (Interstate Commerce 1.5 cents).
MINNESOTA	11 cents.
New York	Gasoline 8 cents; diesel fuel 10 cents.
North Dakota	Gasoline 8 cents; special fuels 8 cents except for heating, agricultural, industrial, or railroad purposes; exempt special fuels 2% of sales price.

South Dakota	Gasoline and diesel 12 cents; gasohol 8 cents; LPG 10 cents; aircraft 4 cents.
Texas	Gasoline and other fuels 5 cents; diesel fuel 6.5 cents.
Wisconsin	9 cents.

## ALCOHOLIC BEVERAGE TAX

(M.S. 340.47)

**Tax Base:** Distilled spirits, beer, malt beverages, wines, and premixed alcoholic beverages manufactured or received for sale in Minnesota.

### Rates:

#### Wines:

Minnesota Vintners' Wine (First 50,000 gallons)	\$ .17 per gallon
Unfortified Wines	.27 per gallon
Fortified Wines - 14% to 21% Alcohol by Volume	.79 per gallon
Fortified Wines - 21% to 24% Alcohol by Volume	1.58 per gallon
Fortified Wines - over 24% Alcohol by Volume	3.08 per gallon
Sparkling Wines	1.50 per gallon
Distilled Spirits	4.39 per gallon
Fermented Malt Beverages:	
3.2% or less Alcohol	\$2.00 per barrel of 31 gallons
More than 3.2% Alcohol	4.00 per barrel of 31 gallons

**Credits:** Minnesota brewers receive a credit of \$2 per barrel on the first 75,000 barrels produced each year for sale within Minnesota.

**Exemptions:** Sacramental wines and commemorative bottles sold between collectors.

### Revenue

Collections:	F.Y. 1978	\$52,545,000
	F.Y. 1979	\$53,609,000
	F.Y. 1980	\$54,202,000

Disposition: State General Fund

### Administration

**Who Pays:** Wholesalers, distributors, or manufacturers upon acquisition for sale within Minnesota.

**Payment Dates:** 15th day of month following receipt or manufacture of taxable beverage.

### History of Major Changes

- 1934 - Enacted at rates of \$1 per barrel of beer and \$.60 per gallon of wine and liquor.
- 1937 - Liquor tax increased to \$1 per gallon on liquor over 24%.

- 1947 - Increased rates of tax.
- 1959 - 3.2% beer taxed at \$1.60 per barrel. Strong beer taxed at \$3.20 per barrel. Liquor surtax of 15% imposed.
- 1969 - Additional tax on liquor from 4¢ to 75¢ per gallon depending on alcoholic content.
- 1971 - Distilled spirits from \$2.50 to \$4.53 per gallon. 3.2% beer from \$1.60 to \$2 per barrel. Strong beer from \$3.20 to \$4 per barrel. Wine taxes increased.
- 1973 - Distilled spirits reduced from \$4.53 to \$4.39 per gallon.
- 1979 - Sparkling wine reduced from \$3.08 to \$1.50 per gallon.
- 1980 - Minnesota vintners wine taxed at \$.17 per gallon.

### Comparison With Other States

California	Wine less than 14%	\$ .01 per gallon
	Wine greater than 14%	\$ .02 per gallon
	Hard Cider	\$ .02 per gallon
	Sparkling Wines	\$ .30 per gallon
	Distilled Spirits	\$2.00 and \$4.00 per gallon
Illinois	Beer	\$1.24 per barrel
	Non-liquid Distilled Spirits	\$ .02 and \$ .04 per oz.
	Wine less than 14%	\$ .23 per gallon
	Wine greater than 14%	\$ .60 per gallon
	Distilled Spirits	\$2.00 per gallon
Iowa	Beer	\$ .07 per gallon
	Distilled Spirits and Wine	15% of price set by liquor control commission
	Beer	\$4.34 per barrel
	Wine	\$ .50 per gallon
	Wine Produced in Michigan	\$ .04 per gallon
Michigan	Distilled Spirits	8%-9.85% of retail price with alcoholic content greater than 22%
	Beer	\$6.30 per barrel
	MINNESOTA	See Rates Above
	Wine (Still)	\$ .026 per liter (\$ .10 per gallon)
	Artificially Carbonated Wine	\$ .07 per liter (\$ .26-2/3 per gallon)
New York	Natural Sparkling Wine	\$ .141 per liter (\$ .53-1/3 per gallon)
	Hard Cider	\$ .004 per liter (\$ .015 per gallon)
	Distilled Spirits less than 24%	\$ .211 per liter (\$ .80 per gallon)



New York (Cont.)	Distilled Spirits greater than 24%	\$ .859 per liter (\$3.25 per gallon)
	Beer	\$ .044 per gallon
North Dakota	Wine less than 17%	\$ .50 per gallon
	Wine 17-24%	\$ .60 per gallon
	Sparkling Wine	\$1.00 per gallon
	Distilled Spirits	\$2.50 per gallon
	Alcohol	\$4.05 per gallon
	Beer in Bulk	\$ .08 per gallon
	Beer in Bottles and Cans	\$ .16 per gallon
South Dakota	Wine less than 14%	\$ .30 per gallon
	Wine 14-20%	\$ .95 per gallon
	Wine more than 20%	\$1.40 per gallon
	Sparkling Wine	\$1.40 per gallon
	Distilled Spirits	\$3.05 per gallon
	Beer 3.2%	\$4.00 per barrel
	Beer more than 3.2%	\$8.30 per barrel
Texas	Wine less than 14%	\$ .17 per gallon
	Wine more than 14%	\$ .34 per gallon
	Sparkling Wine	\$ .43 per gallon
	Distilled Spirits	\$2.00 per gallon
	Beer	\$5.00 per barrel
	Malt Liquor	\$ .165 per gallon
Wisconsin	Wine less than 14%	\$ .195 per gallon
	Wine more than 14%	\$ .39 per gallon
	Distilled Spirits	\$2.60 per gallon
	Beer	\$2.00 per barrel

### CIGARETTE TAX (M.S. 297.02)

**Tax Base:** Cigarettes and little cigars sold in Minnesota.

**Rate:** 18 cents per pack of 20.

**Credits:** Distributors receive a 2.5% discount on the first \$500,000 of stamps purchased; 2% for the next \$500,000 and 1.5% on additional purchases. The discount covers tax collection expenses.

#### Revenue

Collections:	F.Y. 1978	\$82,653,000
	F.Y. 1979	\$83,415,000
	F.Y. 1980	\$84,307,000

#### Disposition:

- 89% General Fund
- 5½% Natural Resources
- 5½% Natural Resources Acceleration Account

### Administration

**Who Pays:** Distributors or wholesalers of cigarettes.

**Payment Dates:** 18th day of the month following sale to a retailer in Minnesota.

### History of Major Changes

- 1947 — Enacted at three cents a pack.
- 1949 — Increased to four cents a pack.
- 1959 — Increased to five and one-half cents a pack.
- 1961 — Increased to seven cents a pack.
- 1963 — Increased to eight cents a pack.
- 1969 — Increased to thirteen cents a pack.
- 1971 — Increased to eighteen cents a pack.

### Comparison With Other States (Rate Per Pack)

California	10 cents
Illinois	12 cents
Iowa	13 cents
Michigan	11 cents
MINNESOTA	18 cents
New York	15 cents
North Dakota	12 cents
South Dakota	14 cents
Texas	18.5 cents
Wisconsin	16 cents

### TOBACCO PRODUCTS TAX (M.S. 297.32)

**Tax Base:** Cigars, smoking tobacco, chewing tobacco, and tobacco products other than cigarettes.

**Rate:** 20% of wholesale price.

**Credits:** Distributors allowed credit equal to 2½% of tax for administrative expenses.

#### Revenue

Collections:	F.Y. 1978	\$1,894,000
	F.Y. 1979	\$2,186,000
	F.Y. 1980	\$2,240,000

**Disposition:** State General Fund

### Administration

**Who Pays:** Distributors or wholesalers of products received for sale in Minnesota.

**Payment Dates:** 18th day of the month following receipt of the product in state.

### History of Major Changes

- 1955 — Enacted at rate of 15% of wholesale price.
- 1959 — Rate increased to 20% of wholesale price.



### Comparison With Other States

Iowa	10% of wholesale price.
MINNESOTA	20% of wholesale price.
North Dakota	11% of wholesale price.
Texas	25% of factory list; variable rate on cigars.

California, Illinois, Michigan, New York, South Dakota and Wisconsin do not impose separate taxes on tobacco products.

### MORTGAGE REGISTRY TAX

(M.S. 287.05)

**Tax Base:** Principal debt which is secured by any mortgage of real property in the state.

**Rate:** \$.15 per \$100 of principal debt.

#### Revenue

Collections:	F.Y. 1978	\$ 8,825,000
	F.Y. 1979	\$10,114,000
	F.Y. 1980	\$ 8,695,000

#### Disposition:

- 95% - State General Fund
- 5% - Counties' General Funds

#### Administration

**Who Pays:** The securer of any mortgage of real property.

**Payment Dates:** At or before the time of filing the mortgage for record or registration.

#### History of Major Changes

- 1907 - Enacted at \$.50 per \$100 of principal debt.
- 1913 - Changed to \$.15 per \$100 where mortgage runs for five years or less, and \$.25 per \$100 for mortgages of more than five years.
- 1945 - Changed to \$.15 per \$100 on any mortgage.

#### Comparison With Other States

MINNESOTA	\$.15 per \$100 of principal debt.
New York	\$1.00 per \$100 of principal debt.

California, Illinois, Iowa, Michigan, North Dakota, South Dakota, Texas, and Wisconsin have no similar tax.

### DEED TRANSFER TAX

(M.S. 287.21)

**Tax Base:** Transfer of real estate by any deed, instrument or writing.

**Rates:** \$2.20 for consideration of \$1,000 or less plus \$1.10 for each portion of \$500 in excess of \$1,000.

**Exemptions:** Executory contracts for the sale of land, mortgages, wills, plats, leases, government instruments, cemetery lot deeds, and deeds of distribution by personal representatives.

#### Revenue

Collections:	F.Y. 1978	\$10,520,000
	F.Y. 1979	\$10,808,000
	F.Y. 1980	\$ 9,599,000

**Disposition:** State General Fund

#### Administration

**Who Pays:** Any person who grants, assigns, transfers or conveys real estate.

**Payment Dates:** At the time of transfer.

#### History of Major Changes

- 1961 - Enacted at \$1.10 for first \$1,000 of consideration and \$.55 for each additional \$500.
- 1967 - Increased to \$2.20 for first \$1,000 and \$1.10 for each additional \$500. Earmarked proceeds for the property tax relief fund.
- 1969 - Distribution of proceeds changed to State General Fund.
- 1973 - Included corporations in those subject to tax.

#### Comparison With Other States

California	\$.55 per \$500 consideration after the first \$100 at the city or county option. Equity only subject to tax.
Illinois	\$.25 per \$500 consideration.
Iowa	\$.55 per \$500 consideration after the first \$500.
Michigan	\$.55 per \$500 consideration.
MINNESOTA	\$2.20 for first \$1,000 consideration plus \$1.10 for each \$500 additional consideration.
New York	\$.55 per \$500 consideration after the first \$100.
North Dakota	No tax.
South Dakota	\$.50 per \$500 consideration.
Texas	No tax.
Wisconsin	\$.10 per \$100 consideration.

## MOTOR VEHICLE RECYCLING TAX

(M.S. 168B.11)

**Tax Base:** Transfer of new or used vehicles weighing more than 1,000 lbs.

**Rates:** \$1.00 per transfer.

### Exemptions:

- Transfers for purposes of resale.
- Vehicles purchased by government or nonprofit organizations.

### Revenue

Collections:	F.Y. 1978	\$988,000
	F.Y. 1979	\$980,000
	F.Y. 1980	\$889,000

**Disposition:** State General Fund

### Administration

**Who Pays:** Transferee of a new or used motor vehicle weighing over 1,000 lbs.

**Payment Dates:** At time of first registration.

### History of Major Changes

1971 — Enacted.

### Comparison With Other States

None of the comparison states levies a similar tax.

## GROSS EARNINGS TAXES

(M.S. 295)

**Tax Base:** Gross receipts from operation of certain businesses.

### Rates:

Boxing Exhibitions	5%
Express Companies	5%
Freight Lines	7%
Rural Electric	
Cooperatives	10 cents per 100 members
Sleeping Car	
Companies	6%
Taconite Railroads	5%
Telegraph	6%
Telephone	(1) 4% from rural service
	(2) 4% for localities with less than 10,000 population
	(3) 7% from all other service
	(4) 30 cents per phone if company's gross earnings are \$1,000 or less

### Revenue

Collections:	F.Y. 1978	\$67,043,000
	F.Y. 1979	\$78,011,000
	F.Y. 1980	\$67,738,000

**Disposition:** State General Fund

### Administration

**Who Pays:** Each of the various types of businesses subject to tax.

**Payment Dates:**

Telephone	April 15
Rural Electric	
Companies	March 1
Boxing Exhibition	Within 24 hours of event
All others	September 1 and March 1 for prior 6 months earnings

### History of Major Changes

	Original Enactment	Current Rates Enacted
Boxing	1933, 10%	1953
Express	1897, 3%	1965
Freight Lines	1896, 4%	1937
Rural Electric		
Companies	1939, \$.10/100 members	1939
Sleeping Car	1897, 3%	1937
Taconite Railroad	1955, 5%	1955
Telegraph	1887, 2%	1945
Telephone	1887, 2%	1937

### Comparison With Other States\*

Those comparison states which impose gross earnings tax on some form of telephone service or other utility service are: Illinois, New York, North Dakota, South Dakota, Texas, and Wisconsin.

Iowa and Michigan do not impose specific gross earnings taxes.

\*The comparative information for the various states was too lengthy to include herein. For more information, contact the Research Office in the Minnesota Department of Revenue.

## INSURANCE PREMIUMS TAX (M.S. 60A.15)

**Tax Base:** Gross premiums less return premiums on all business received in Minnesota.

### Rates:

- 2% — Domestic and foreign companies' premiums.
- 5% — Underwriting profit on ocean marine insurance.
- 3% — Surplus line agents.
- 0.5% — Fire marshal tax on fire premiums.
- 2% — Surcharge on fire premiums for property located in cities of the first class.

**Special Provisions:** Gross premium taxes are allowed as a credit against corporate income tax payable.

### Revenue

Collections:	F.Y. 1978	\$53,607,000
	F.Y. 1979	\$58,164,000
	F.Y. 1980	\$62,297,00

Disposition: State General Fund

### Administration

**Who Pays:** Domestic and foreign insurance companies doing business in Minnesota.

**Payment Dates:** Quarterly payments due by the 15th day of the 3rd month, 6th month, 9th month, and 12th month of the tax year.

### History of Major Changes

- 1868 — 2% gross premiums tax imposed on foreign insurance companies.
- 1872 — 2% gross premiums tax extended to domestic companies.
- 1895 — Retaliatory tax provisions adopted.
- 1913 — Fire marshal tax of 0.375% adopted.
- 1934 — 2% surcharge on fire premiums enacted.
- 1937 — Fire marshal tax increased to 0.5%.

### Comparison With Other States

State	Premiums Tax Rate
California	2.35%.
Illinois	2% on foreign companies.
Iowa	2%.
Michigan	2% — 3% on foreign companies.
MINNESOTA	(See rates above.)
New York	1.0% — 1.2%.
North Dakota	2½%.
South Dakota	0.5% — 2% on domestic companies. 1.25% annuity tax on foreign companies. 2½% premium tax on foreign companies. ½% fire marshal tax.
Texas	1.925% to 3.3% depending on percentage of assets invested in state.
Wisconsin	2% on foreign and domestic companies. 2-3/8% on foreign fire insurance. 0.5% on foreign marine insurance. 2% or 3.5% of gross investment income on domestic life insurance.

## SEVERANCE AND TONNAGE TAXES

### MINERAL TAXATION

Mineral taxation in Minnesota consists of Royalty, Occupation, and Production taxes on certain types of minerals. These taxes are described separately in the sections that follow.

### ROYALTY TAXES (M.S. 299)

**Tax Base:** Royalties received in connection with the exploration and mining of iron ore, taconite, semi-taconite, iron sulphides, and copper-nickel ores.

#### Rates:

Resource	Tax Rate
Iron Ore	15.5%
Taconite, Semi-taconite, and Iron Sulphides	15.0%
Copper-Nickel	1% plus 1% of royalties paid on silver, gold, platinum and other precious metals.

**Credits:** The royalty tax on mined land is reduced by an amount which makes the net effective tax rate equal to the net effective occupation tax rate.

#### Revenue

##### Collections:

F.Y.	Iron Ore	Taconite, Semi-Taconite, Iron Sulphides	Copper-Nickel
1978	\$945,000	\$1,905,000	\$ 3,000
1979	\$882,000	\$4,046,000	\$21,000
1980	\$924,000	\$5,125,000	\$35,000

Disposition: State General Fund

#### Administration

**Who Pays:** The recipient of the royalty amount.

**Payment Dates:** On or before July 15th.

#### History of Major Changes

- 1923 - 6% royalty tax imposed on iron ore.
- 1937 - Rate increased to 10%.
- 1939 - Rate changed to 9%.
- 1941 - Rate increased to 10.5%.
- 1947 - Rate increased to 11%.
- 1955 - 15% surtax added.
- 1959 - Additional 1% tax added.
- 1967 - Copper-nickel royalties taxed at 1%.
- 1971 - Royalty tax on taconite 15%; iron ore increased to 15.5%.

### Comparison With Other States

None of the comparison states impose separate taxes on mineral royalties.

### OCCUPATION TAXES (M.S. 298)

**Tax Base:** Value of minerals mined or produced in the state as reduced by certain statutory and non-statutory deductions and credits.

#### Rates:

Resource	Tax Rate
Iron Ore	15.5%
Taconite, Semi-taconite, and Iron Sulphides	15.0%
Copper-Nickel Ores	1.0%

#### Exemptions:

**Iron Ore** - Statutory deductions include costs of development, labor, supplies, administrative expenses, depreciation of mine plant and equipment, royalty and ad valorem taxes on ore mined. Non-statutory deductions include costs of loading ore stockpiled during the year but not shipped, cost of beneficiation, transportation, marketing, and other miscellaneous costs.

**Taconite, Semi-Taconite, and Iron Sulphide** - Deductions are the same as for iron ore.

**Copper-Nickel** - Deductions are allowed for processing costs.

#### Credits:

**Iron Ore** - Credits are allowed for labor, low grade ore, research, experimentation and exploration.

**Taconite, Semi-Taconite, and Iron Sulphide** - Credits are the same as for iron ore.

**Copper-Nickel** - Credits are allowed for processing the ore within the state and for research, experimentation and exploration.

#### Revenue

F.Y.	Iron Ore	Taconite, Semi-Taconite Iron Sulphides
1978	\$3,946,000	\$ 6,247,000
1979	\$4,522,000	\$25,604,000
1980	\$2,702,000	\$14,539,000

**Disposition:** Proceeds are deposited in the state general fund. 40% is earmarked for elementary and secondary schools, and 10% is used for support of the University of Minnesota. A constant dollar amount (5% of the 1977 proceeds) is earmarked for the Iron Ranges Resources and Rehabilitation Board (IRRRB).



## Administration

Who Pays: Mining companies operating in this state.

Payment Dates: On or before June 15th.

## History of Major Changes

- 1921 — 6% Occupation tax imposed on iron ore.
- 1937 — Rate increased to 10%; reduced to 8% for subsequent years.
- 1941 — Labor credit enacted.
- 1947 — Rate increased to 11%.
- 1955 — 15% surtax added.
- 1959 — Additional 1% tax imposed.
- 1971 — Occupation tax on taconite 15%; iron ore occupation tax increased to 15.5%.
- 1977 — Occupation tax levied in lieu of income taxes on mining companies.

## Comparison With Other States

State	Resource	Rate
Michigan	Natural Gas	5% of gross market value.
	Crude oil	6.6% of gross market value.
	Crude oil (from stripper wells)	4.0% of gross market value. In addition, production of natural gas and oil is subject to a fee of less than 1% of market value annually to pay state administrative expenses.
MINNESOTA	See Rates Above.	
North Dakota	Crude Oil and Natural gas	5.0% of market value.
South Dakota	Mineral Products	5% to 15% of net profit from extracted minerals.
Texas	Energy Minerals	4.5% of taxable value.
	Natural Gas	7.5% of market value.
	Oil	4.6% of market value.
Wisconsin	Metalliferous Minerals	Graduated rates from 6% to 20% on average net proceeds for preceding 3 year period.

## PRODUCTION TAXES

(M.S. 298)

**Tax Base:** Extracted tonnage of taconite and iron sulphides, semi-taconite, and copper-nickel ores.

## Rates:

**Taconite and Iron Sulphides** — Base rate equals \$1.25 per gross ton of merchantable iron ore concentrate produced in 1977. After 1977, the base rate increases with changes in the steel mill products index. An additional tax of 1.6% is imposed for each percent that the iron content of the product exceeds 62%. The 1980 average base rate is \$1.72 per gross ton.

**Semi-Taconite** — Sintered in Minnesota — \$.05 per gross ton plus 1/10th of \$.01 for each 1% that the iron content exceeds 55%. Sintered outside Minnesota — \$.10 per gross ton plus 1/10th of \$.01 per gross ton for each 0.5% that the iron content exceeds 55%.

**Copper-Nickel** — Base rate is \$0.025 per gross ton plus 10% of the base tax per ton for each 1/10th of 1% that the average copper-nickel content per ton exceeds 1%. This composite rate is subject to increase proportional to changes in the current year average monthly wholesale price index above the 1967 index.

## Revenue

Collections:	F.Y. 1978	\$48,810,000
	F.Y. 1979	\$69,222,000
	F.Y. 1980	\$88,484,000

**Disposition:** Taconite Production tax proceeds are distributed to the state general fund and to the cities, towns, school districts and counties in which taconite is mined and processed, as follows:

- \$.025 per ton — Taconite cities and towns.
- \$.123 per ton — Taconite municipal aid account.
- \$.06 per ton — Taconite schools.
- \$.23 per ton — Those schools that qualify for the taconite homestead credit in direct proportion to their levies.
- \$.155 per ton — Taconite counties.
- \$.04 per ton — Taconite counties' road and bridge fund.
- \$.2575 per ton — Taconite homestead credit.
- \$.01 per ton — State general fund.
- \$.03 per ton — Iron Range Resources and Rehabilitation Board.
- \$.002 per ton — Range Association of Municipalities and Schools.

Amount distributed to counties, the taconite homestead credit fund, and the IRRRB will increase with the steel price index.

Local governments receive an amount equal to aid received from the taconite railroad gross earnings tax in 1977. The IRRRB receives an amount equal to the occupation tax aid received in 1977 for 1978 and subsequent years.

Remaining Production Tax proceeds go to the Taconite Environmental Protection Fund, the Northeast Economic Protection Fund, and the Department of Revenue for administrative expenses.



Proceeds of the production tax derived from semi-taconite are distributed to the state general fund and to the various taxing districts in which semi-taconite is located as follows:

- 22% — City or town
- 50% — School district
- 22% — County
- 6% — State

#### Administration

Who Pays: Mining companies pay production tax in lieu of property taxes.

Payment Dates: 90% of estimated tax payable by February 15th for preceding production year. Balance payable by April 15th.

#### History of Major Changes

- 1881 — Tonnage tax on iron ore of \$.01 per ton imposed.
- 1897 — Tonnage tax on iron ore repealed and replaced by ad valorem tax.
- 1941 — Taconite production tax of \$.05 per ton imposed.
- 1959 — Production tax on semi-taconite enacted.
- 1969 — Taconite production tax increased to \$.115 per ton.
- 1971 — Additional production tax of \$.04 to \$.14 per ton imposed.
- 1975 — Taconite production tax increased by \$.39 per ton.
- 1977 — Taconite production tax increased to \$1.25 per ton with tax indexed based on the price of steel.

#### Comparison With Other States

State	Resource	Rate
California	Crude oil and natural gas	Per barrel charge or uniform rate per thousand cubic feet determined annually to defray administrative costs.
North Dakota	Coal	\$.85 per ton plus \$.01 per ton for each 4 point increase in wholesale price index as adjusted twice per year.
Texas	Sulphur Cement	\$1.03 per long ton. \$.275 per CWT.

## IN LIEU OF PROPERTY TAXES

### MOTOR VEHICLE LICENSE FEES TAX

(M.S. 168)

**Tax Base:** Motor vehicles using the public streets and highways.

**Rates:** Passenger Cars — \$10 plus 1 percentage of base value based on the age of the vehicle. Commercial Vehicles — \$5 for first 1,500 lbs., up to \$1,260 plus \$36 per ton for excess over 81,000 lbs. Intercity Buses — and other buses are taxed on a separate schedule.

**Exemptions:** Vehicles owned by governmental or educational units, agricultural tractors and trailers, special mobile equipment, vehicles used solely for carrying camp equipment or attached machinery, fire apparatus, and vehicles not operated on highways.

#### Revenue

Collections:	F.Y. 1978	\$111,429,000
	F.Y. 1979	\$121,622,000
	F.Y. 1980	\$128,293,000

**Disposition:** Proceeds are paid into the state treasury and credited to the Highway User Tax Distribution Fund.

#### Administration

Who Pays: Anyone who registers a motor vehicle in the state.

Payment Dates: When first registered to use the public streets and annually on a staggered monthly schedule.

#### History of Major Changes

- 1911 — First motor vehicle registration law enacted. Fee of \$1.50 per vehicle.
- 1921 — Rates established based on value and weight of vehicle.
- 1941 — Passenger cars taxed at 2.2% of value.
- 1949 — Vehicles reclassified and rate schedules revised.
- 1955 — Rates increased by 5%.
- 1965 — Rate schedule modified.
- 1971 — Tax set on passenger vehicles at \$10 plus 1.25% of base value. An annual \$25 tax on school buses levied.
- 1973 — Monthly series of vehicle registrations established. New truck rates established.
- 1976 — Minimums on trucks, tractors, and combinations increased.

#### Comparison With Other States

State	Passenger Cars	Commercial Vehicles
California	\$11 registration fee plus license fee of 2% of market value.	\$5 first 3,000 lbs. up to \$413 for over 15,000 lbs.
Illinois	\$18-\$30 based on horsepower.	\$24 first 3,000 lbs. up to \$1,560 for between 64,000 and 73,280 lbs.

State	Passenger Cars	Commercial Vehicles
Iowa	1% of value plus 40¢/100 lbs.	\$45 first 6,000 lbs. up to \$1,510 on 36 tons with variable increases thereafter.
Michigan	\$20-\$74 based on weight.	a) Light trucks and truck-housetrailer combinations: \$1.08 per 100 lbs. first 2,500 lbs. up to \$3.38/100 lbs. for over 15,000 lbs.  b) Heavy trucks and truck or tractor-trailer combinations: \$243 first 24,000 lbs. up to \$1,594 for over 160,000 lbs.
MINNESOTA	\$10 plus percent of base value based on age of vehicle.	\$5 first 1,500 lbs. up to \$1,260 plus \$36 per ton for excess of 81,000 lbs.
New York	\$12-\$65 based on weight.	\$2.50 per 500 lbs. on trucks and trailers, \$.70 per 100 lbs. on tractors.
North Dakota	\$15-\$220 based on weight and age of vehicle.	\$26 first 4,000 lbs. up to \$1,996 for over 104,000 lbs.
South Dakota	\$20-\$180 based on weight.	\$85 first 4,000 lbs. up to \$250 plus \$40 per ton for over 20,000 lbs.
Texas	\$12-\$30 up to 6,000 lbs. plus \$.55 per each additional 100 lbs.	Motor Buses — 44¢-88¢ per each 100 lbs., and 99¢ per 100 lbs. for over 31,000 lbs. Trailer and semi-trailers — 33¢- 66¢ per 100 lbs. up to 17,000 lbs. and 72¢ per 100 lbs. for over 17,000 lbs.
Wisconsin	\$5-\$18 based on weight.	\$24 first 4,500 lbs. up to \$1,602 for up to 80,000 lbs.

## AIRFLIGHT PROPERTY TAX

(M.S. 270.072)

**Tax Base:** Flight property of air carriers engaging in air commerce.

**Rates:** Assessed value of flight property times the average rate of property taxes throughout the state.

**Major Exemptions:** Airflight property of governmental units or the civil air patrol. Aircraft weighing less than 30,000 lbs. that are used on intermittent or irregularly timed flights.

### Revenue

Collections:	F.Y. 1978	\$3,759,000
	F.Y. 1979	\$3,420,000
	F.Y. 1980	\$4,293,000

**Disposition:** Proceeds are deposited in the state treasury and credited to the Airports Fund.

### Administration

**Who Pays:** 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.

**Payment Dates:** The tax is due and payable on January 1 of each year following the levy of the tax.

### History of Major Changes

- 1945 — Enacted, assessed at 40% of value.
- 1953 — Changed to 33-1/3% valuation.
- 1971 — "Market Value" for "full and true value" substituted.
- 1976 — Exemption for aircraft weighing less than 30,000 lbs. included.

### Comparison With Other States

In general, most states tax air property at the average property tax rate statewide.

## UNEMPLOYMENT INSURANCE

(M.S. 268.05)

**Base:** A wage base of \$8,000 for each employee.

**Rates:** The standard rate for new employers in 1980 is 1.9%. Experience ratings will vary the rate actually paid.

**Exemptions:** Various categories of excluded employment exist, including service performed by: a) a son, daughter or spouse; b) independent contractors; c) members of a partnership; d) elected public officials; and e) ordained ministers for a non-profit organization or church.

### Revenue

Collections:	F.Y. 1978	\$182,335,604
	F.Y. 1979	\$206,312,449
	F.Y. 1980	\$208,296,755

**Disposition:** Proceeds are paid into the Minnesota Unemployment Compensation Fund and benefits are paid out of this fund and charged to each employer's account.

### Administration

**Who Pays:** Generally, any employer who has one or more individuals employed for 20 different weeks in either the current or preceding calendar year, or who paid wages of \$1,500 in any quarter of either year.

**Payment Dates:** April 30, July 31, October 31, and January 31.

### History of Major Changes

- 1936 - Unemployment Compensation Law enacted.
- 1939 - Standard rate set at 2.7%.
- 1941 - Formula for computing experience ratios adopted.
- 1971 - Methods of calculating contribution rates, experience rates, and minimum rates changed.
- 1976 - Method for setting contribution rates redetermined.
- 1979 - Amended to conform with federal law.

### Comparison With Other States

State	Standard Rate	Basis
California	2.7%	First \$6,000
Illinois	2.7	First \$6,500
Iowa	1.8	First \$7,400
Michigan	2.7	First \$6,000
MINNESOTA	1.9	First \$8,000
New York	3.7	First \$6,000
North Dakota	4.8	First \$7,600
South Dakota	2.7	First \$6,000
Texas	2.7	First \$6,000
Wisconsin	2.7	First \$6,000

## WORKER'S COMPENSATION

(M.S. 176)

**Base:** Annual salaries of employees.

**Rates:** Vary with type of employment and each specific employment classification.

**Exemptions:** Coverage does not apply to railroad workers, certain people employed in farming, persons whose work is casual and not in the usual course of the business of the employer, and household workers who earn less than \$500 cash in any 3 month period from a single private home or household.

**Special Provisions:** Qualifying firms are allowed to self insure. Insurance rates are adjusted annually subject to the approval of the Commissioner of Insurance, Department of Commerce.

### Revenue

Net Premiums:	C.Y. 1977	\$259,764,800
	C.Y. 1978	\$353,107,441
	C.Y. 1979	\$423,752,449

**Disposition:** Benefits are paid out to qualifying persons by the private insurance companies.

### Administration

**Who Pays:** Most employers of one or more employees.

**Payment Dates:** Annually as an insurance premium.

### History of Major Changes

- 1913 - First Workman's Compensation Act enacted.
- 1919 - Special compensation fund created for payments of permanent total disability resulting partly from previous disability.
- 1933 - State compensation revolving fund created.
- 1953 - Requirement that an "accident" cause injury or death deleted.
- 1967 - Department of Labor and Industry and the Industrial Commission abolished; replaced with a new Department of Labor and Industry and Workman's Compensation Commission.

### Comparison With Other States

All the comparison states require some form of Worker's Compensation. However, due to the various job classifications and rates, a comparison by state cannot be made.

## PROPERTY TAXES

### LOCAL PROPERTY TAX

(M.S. 272-279)

**Tax Base:** Taxable value of non-exempt land, buildings, and personal property. Taxable value is a varying percentage of market value for each property classification as shown for taxes payable in 1981.

Type of Property	Classification Percentage
I. Real Property	
A. Unmined Iron Ore	50%
B. Low Recovery Iron Ore	30-48½%
C. Blast Furnace Products	15%
D. Agricultural Land (Non-Homestead)	19%
E. Seasonal, Recreational, Residential	21%
F. Agricultural Homesteads	
1. First \$50,000 of market value.	14%
2. First \$33,000 of market value for certain blind or disabled persons.	5%
3. Excess over \$50,000 of market value.	19%
G. Non-Agricultural Homesteads	
1. First \$25,000 of market value.	16%
2. Second \$25,000 of market value.	22%
3. First \$33,000 of market value for certain blind or disabled persons.	5%
4. Next \$17,000 of market value for certain blind or disabled persons.	22%
5. Excess over \$50,000 of market value.	28%
H. Residential, Non-Homestead of Three or Fewer Units	28%
I. Apartments	
1. Standard (four or more units).	38%
2. Type I and II (four or fewer stories).	33-1/3%
3. Type I and II (five and more stories).	25%
4. Title II (in cities or towns of under 10,000 population).	5%
5. Title II (other and low income housing).	20%
J. Timberland	19%
K. Urban Vacant Land	40%
L. Public Utility	
1. Land and buildings.	43%
2. Machinery.	33-1/3%
M. Commercial and Industrial	43%
N. Seasonal Recreational Commercial (12% in certain cases if property includes homestead of the owner).	21%

### Type of Property

### Classification Percentage

#### II. Personal Property

A. Mobile Homes	
1. Homesteads (Assessed at rate provided for applicable real property class).	Varies
2. Non-homesteads.	28%
B. Leased Agricultural Real Estate on Exempt Land	33-1/3%
C. Structures on Leased Public Land in Rural Areas.	33-1/3%
D. Structures on Leased Public Lands in Urban Areas or on Railroad Right of Way; Leased Non-Agricultural Real Estate on Exempt Land; Billboards and Advertising Signs.	40%
E. Tools, Implements and Machinery of an Electric Generating, Transmission or Distribution System or a Pipeline System Transporting or Distributing Water, Gas, or Petroleum Products which are Fixtures.	33-1/3%

**Exemptions:** Cemeteries; public schools; public hospitals; colleges, universities and seminaries; churches and church property; most institutions of public charity; public property used for public purposes; natural cheese held for aging by original Minnesota manufacturer; farm tools, machinery, equipment and livestock; agricultural products; inventories and equipment of manufacturers, wholesalers, retailers, and contractors including tools and machinery, manufactured articles, stocks of merchandise, parts and supplies, furniture and furnishings; pollution control equipment; agricultural wetlands used only for wildlife or water conservation; native prairie land; and solar, wind or agriculturally derived gas systems used to provide heating, cooling, or electric power for a building or structure.

**Special Provisions:** Taxing authorities have numerous statutory limitations on the amount of property taxes they may levy. In addition, there are the overall levy limitation laws governing school districts and county or municipal governments.

**Rates:** Mill rates vary with taxing jurisdiction. Total mill rate includes all levies for all taxing jurisdictions within which the property is located (e.g., city, county, township, school districts and special taxing districts).

The 1979 (payable 1980) average statewide gross tax rate was 97.234 mills. Application of the "Homestead Credit" and "Agricultural Mill Rate Credit" results in an average statewide net tax rate of 73.822 mills (a mill is \$1 for each \$1,000 of taxable value).

**Credits:** Several forms of tax relief are authorized for property owners. The state reimburses local governments for the loss of revenue represented by the first four of these credits. These include:

1. Homestead Credit: Provides a direct reduction of tax for owner-occupied homestead property equal to 58% of gross tax up to a maximum of \$650.



2. **Agricultural Mill Rate Credit:** This direct credit is limited to agricultural, seasonal recreational and timberland property. Credit is equal to the sum of 17 mills times the taxable value of the first 240 acres of agricultural homestead property, and 10 mills times the taxable value of the remaining qualifying property.
3. **Taconite Homestead Credit:** This direct credit is limited to owner-occupied homestead property located within "taconite tax relief areas." Credit is equal to either 66% of gross tax up to a maximum of \$430, or 57% of gross tax up to a maximum of \$375, depending on the specific taconite tax relief area in which the property is located.
4. **Reduced Assessment Reimbursement:** Certain multi-unit structures and certain single-family homesteads are granted tax relief in the form of a reduction in taxable value. Reduction is limited to structures which provide housing for low income or elderly families and homesteads of certain blind or disabled persons.
5. **Property Tax Refund:** Occupants of owner-occupied homesteads and residential rental units receive property tax relief based on the relationship of gross property tax payable and total household income. For renters, gross property tax payable is 23% of rent paid for occupancy during the year, exclusive of certain utility charges. This relief is granted directly to the taxpayer by the state in the form of a direct payment or a refundable income tax credit.

Gross Property Tax Refund Amount = The total amount of property tax in excess of a certain percentage of household income, up to a first-step maximum amount; plus, 50% of the remaining property tax (or property tax equivalent) up to an overall maximum allowable refund amount.

Homeowners subtract the Homestead Credit from their gross Property Tax Refund to determine the net refund amount.

The percentage of income, first-step maximum refund amount and the overall maximum refund amount used depend on household income and whether or not the claimant is a senior citizen or disabled person as shown in the following table.

6. **Wetlands Credit:** Direct credit is equal to 0.75% of the average market value of an acre of tillable land in the city or town where the qualifying wetland is located times the number of acres of wetlands owned by the taxpayer. In order to receive the wetlands credit, the owner must agree not to drain the wetland during the year for which credit is received.
7. **Native Prairie Credit:** Direct credit is equal to 1.5% of the average market value of an acre of tillable land in the city or town where the qualifying land is located times the number of acres of native prairie land owned by the taxpayer. In order to receive the credit the owner must agree to preserve the prairie in its natural state during the year in which credit is received.

# APPLICABLE PERCENTAGES AND MAXIMUM GROSS PROPERTY TAX REFUND AMOUNTS

Size of Combined Household Income	Percent of Income Which Property Taxes Must Exceed in Order to Qualify for a Refund	Non-Senior Non-Disabled Claimants		Senior Citizen or Disabled Claimants	
		First-Step Maximum Refund Amount	Overall Maximum Refund Amount	First-Step Maximum Refund Amount	Overall Maximum Refund Amount
Less Than \$1	0%	\$650	\$1,000	\$850	\$1,000
\$1 to \$2,999	0.5%	\$650	\$1,000	\$850	\$1,000
3,000 to 19,999	0.6% to 1.5%	\$650	\$1,000	\$850	\$1,000
20,000 to 22,999	1.6%	\$650 to \$617	\$1,000 to \$950	\$850 to \$817	\$1,000 to \$983
23,000 to 25,999	1.8%	\$600 to \$567	\$925 to \$875	\$800 to \$767	\$975 to \$958
26,000 to 30,999	2.0%	\$550 to \$530	\$850 to \$730	\$750 to \$730	\$950 to \$870
31,000 to 35,999	2.2%	\$525 to \$505	\$700 to \$580	\$725 to \$705	\$850 to \$770
36,000 to 99,999	2.4% to 3.5%	\$500	\$550	\$700	\$750
\$100,000 and Over	4.0%	\$500	\$550	\$700	\$750



## Revenue

Collections (in millions):

Year	Gross Taxes Levied	Homestead Credit	Agricultural Mill Rate Credit	Taconite Homestead Credit	Property Tax Refund	Net Taxes Paid
1978	\$1,538.7	\$234.4	\$35.2	\$ 9.5	\$195.2	\$1,064.4
1979	1,628.3	242.4	41.6	11.7	190.0	1,142.6
1980	1,758.8	358.3	52.2	13.0	187.0	1,148.3

Disposition: Revenue is distributed by county auditors and treasurers to the counties, municipalities, school districts and other taxing authorities according to the taxable values and total millage levied by each. Statewide, school districts account for and receive approximately one-half of the total tax revenue.

## Administration

Who Pays: All property owners of property not specifically exempt.

Payment Dates: First half of real estate tax is due by May 31st. Second half of real estate tax is due by October 31st.

## History of Major Changes

- 1860 — State Board of Equalization created to reduce inequities of assessment.
- 1913 — Formulation by legislature of first property tax classification system.
  - All taxable property was divided into four separate classes, each assessed at a different percentage of full value.
- 1933 — Property classes increased from four to seven.
- 1934 — Constitutional amendment authorized limited exemption of household goods and farm machinery.
- 1937 — First \$4,000 of homesteads exempted for state tax purposes.
  - Additional classes of property defined.
- 1945 — Property tax enacted for airflight property.
- 1959 — Lakeshore property not used for commercial purposes reclassified.
- 1961 — Indian lands exempt from taxation.
- 1967 — Homestead credit enacted.
  - Senior citizen property tax credit enacted.
  - State government property tax levy eliminated.
  - Livestock and agricultural machinery exempted from personal property tax.
  - Manufacturers granted option to exempt either tools and machinery considered as personal property or inventories.
  - Adoption of county assessor system.
  - Adoption of "Minnesota Agricultural Property Tax Law" providing for assessment based on current use rather than best use for agricultural property to foster preservation of agricultural lands.
  - Portion of agricultural homestead considered as the homestead for tax purposes increased from first 40 acres to first 80 acres.
- 1969 — Taconite homestead credit enacted.

- 1969 — Tax increment financing of renovation projects authorized.
  - Separate assessment of Title II property.
  - "Minnesota Open Space Property Tax Law" enacted to foster preservation of recreational open spaces in urban areas.
- 1971 — Overall property tax levy limitation laws enacted for school districts, counties and municipalities.
  - Mobile homes taxed as personal property.
  - Fiscal disparities established.
  - Business inventories and tools and machinery considered as personal property made entirely exempt.
- 1973 — Separate classes for Type I and II apartments established.
  - Senior citizen property tax "freeze" credit enacted.
  - Increase in market value for residential property limited to 5% per year.
  - Manufacturing and business machinery considered as real property is exempted.
  - Senior citizens property tax credit extended to disabled and blind persons.
- 1974 — Homestead credit increased to a larger percent of gross taxes (45%) and a larger maximum allowed amount (\$325).
  - Portion of agricultural homestead considered as the homestead for tax purposes increased from first 80 acres to first 120 acres.
- 1975 — 5% limit on increase in value for residential property is replaced with general limits on valuation increases.
  - Property tax refund enacted.
  - Flexible homestead base established. Allows portion of homestead property assessed at a lower rate to increase with inflation.
  - Agricultural mill rate differential increased.
- 1976 — Agricultural mill rate differential eliminated and replaced with an agricultural mill rate credit at a higher rate.
- 1977 — Portion of agricultural homestead property considered as the homestead for tax purposes increased from first 120 acres to first 160 acres.
  - Classification ratios for homestead property reduced.
  - Allowable relief under property tax refund is increased and senior citizen property tax "freeze" eliminated.
- 1979 — Eliminated limited market value. Enacted two-stage shift to estimated market value.
  - Homestead credit increased to a larger percent of gross taxes (50%) and a larger maximum allowed amount (\$550).
  - Classification ratios for homestead and certain other property reduced.
  - Portion of agricultural homestead property considered as the homestead for tax purposes increased from 160 acres to 240 acres.
  - Agricultural mill rate credit increased.
  - Lowered assessment rate for multi-unit structures used exclusively to provide housing for low income persons.
  - Enacted a property tax credit for owners of property crossed by high voltage electric transmission lines (will be effective in 1982).

- 1979 — New credit enacted to foster preservation of wetlands.
- Replaced gross earnings tax on railroads with ad valorem tax.
- Allowable relief under property tax refund increased.
- 1980 — Classification ratios lowered for homestead and certain other property.
- Reduced assessment reimbursement aid for local governments enacted.
- Homestead credit increased to a larger percent of gross taxes (58%) and a larger maximum credit amount (\$650).
- Native prairie credit enacted.

#### Comparison With Other States

General rate comparisons cannot be made due to the complex and differing property tax systems among states. For comparison purposes, effective tax rates calculated by the Advisory Commission on Intergovernmental Relations on homes with F.H.A. insured mortgages in 1979 were used.

State	Effective Average Property Tax Rate
California	0.94%
Illinois	1.48
Iowa	1.39
Michigan	2.45
MINNESOTA	1.04
New York	2.76
North Dakota	1.01
South Dakota	1.63
Texas	1.60
Wisconsin	1.66

#### TREE GROWTH TAX

(M.S. 270.36)

**Tax Base:** 5 acres or more of forest lands, used exclusively for the growing of continuous forest crops.

**Rates:** Lands growing commercial forest types are taxed at 30% of the value of annual growth. Temporarily non-productive forests are taxed at \$.05 per acre or \$.15 per acre for non-compliance with the reforestation agreement. Permanently non-productive types are taxed at \$.05 per acre.

**Special Provisions:** The tree growth tax is paid in lieu of all other property taxes and is an owner's option type tax.

#### Revenue

Collections:	F.Y. 1978	\$154,000
	F.Y. 1979	\$228,000
	F.Y. 1980	\$227,000

**Disposition:** County auditor distributes receipts in the same manner as ad valorem taxes.

#### Administration

**Who Pays:** Those who file for such classification with the county board.

**Payment Dates:** Annually as with all other ad valorem taxes.

#### History of Major Changes

- 1957 — Enacted.
- 1959 — Repealed section holding that a landowner may not have more than 10,000 acres in one county under this tax.
- 1967 — Added that ad valorem taxes could not be assessed if an agreement had been in effect for at least 6 years.

#### AUXILIARY FOREST TAX

(M.S. 88.47)

**Tax Base:** Any 35 acres or more of land that is suitable for forestation, or any wood lot containing 5-40 acres that may be made an auxiliary forest.

**Rates:** \$.10 per acre.

**Special Provisions:** This tax is an owner's option and is in lieu of all other property taxes. Marketable timber on such land is taxed separately by a yield tax. No new auxiliary forest contracts are allowed after June 30, 1974.

#### Revenue

Collections:	F.Y. 1978	\$21,000
	F.Y. 1979	\$17,000
	F.Y. 1980	\$18,000

**Disposition:** Proceeds are credited to the funds of the taxing districts affected in the same proportion as other taxes.

#### Administration

**Who Pays:** Those who filed with the county auditor before June 30, 1974 to have such lands so taxed.

**Payment Dates:** On or before May 31 of each year.

#### History of Major Changes

- 1927 — Forestation Amendment established tax on any tract of forestable land less than 160 acres and woodlots between 20 and 40 acres. Rate of tax was 8¢ per \$1.00 of land's assessed value. Yield tax was 10% of the value of marketable timber.
- 1919 — Rate of tax changed to \$.05 per acre of auxiliary forest land.
- 1945 — Size of land plot changed to any 35 acres or more and woodlots between 5 and 40 acres. Rate changed to \$.06 per acre.
- 1947 — Yield tax graduated between 40% and 10% depending on year of harvest.
- 1957 — Rate changed to \$.10 per acre.

## SEVERED MINERAL INTERESTS (M.S. 273.13)

**Tax Base:** Mineral interests in real estate owned separately from the interest in the surface of the real estate.

**Rates:** Annual rate of \$.25 per acre with a minimum tax of \$2 per parcel.

**Exemptions:** Mineral interests taxed under other laws relating to mineral taxation or those exempt from taxation due to constitutional or statutory provisions.

### Revenue

**Collections:** Counties are responsible for collections.

**Disposition:** 80% of the proceeds are distributed in the same manner as property taxes. The remaining 20% is deposited in the state general fund and credited to the reservation and non-reservation residents' loan accounts.

### Administration

**Who Pays:** Owners of mineral interests owned separately from the affected real estate.

**Payment Dates:** Annually as other real estate taxes.

### History of Major Changes

1973 — Enacted.

## LOCAL SALES AND EXCISE TAXES

### LOCAL SALES TAX

Minnesota has a statutory prohibition against the imposition of any local sales or income tax without specific legislative authorization. There is, therefore, no local option sales tax. Local sales taxes specially authorized are described below.

#### Tax Base:

Duluth:	Same as state sales tax
Bloomington Rochester St. Cloud St. Paul	} Sales of transient lodging
Minneapolis	
Minneapolis	Admissions, amusements and transient lodging.

#### Rates:

Duluth:	1% general; 2% food and beverage; 3% lodging
Bloomington Minneapolis Rochester St. Cloud St. Paul	} 3%

**Exemptions:** Duluth: Same as state sales tax. All Others: Selective excise taxes; see tax base above.

**Special Provisions:** Authority has been given to the Metropolitan Sports Facilities Commission to tax lodging and liquor receipts at a variable rate, currently 2 percent, in the City of Minneapolis.

#### Revenue

Collections:	F.Y. 1980 (000's)
Duluth	\$4,583
Bloomington	1,277
Minneapolis	2,326
Rochester	678
St. Cloud	48
St. Paul	331
Stadium Commission	3,193

**Disposition:** Local governments (costs of state collection are subtracted for Minneapolis and Rochester).

#### Administration

**Who Pays:** Purchasers (or consumers) of taxable goods and services.

**Who Remits:** Holders of city sales tax permits.

**Due Dates:** The 25th of the month following the sales month.

## History of Major Changes

- 1969 — Minneapolis imposed a 3% tax on admissions, amusements, and transient lodging.
- 1970 — St. Paul, Duluth and Bloomington imposed a 3% tax on transient lodging.
- 1971 — Rochester imposed a 3% tax on transient lodging.  
— Local governments are prohibited from imposing or increasing sales or income taxes.
- 1973 — Duluth is authorized to impose a 1% "piggyback" general sales tax.
- 1977 — Duluth is authorized to increase rate to 2% on food and beverages.
- 1979 — St. Cloud is authorized to impose a 3% tax on transient lodging.  
— Metropolitan Sports Commission lodging and liquor tax authorized.
- 1980 — Duluth is exempted from prohibition against increasing rates without legislative approval.

## GROSS EARNINGS TAXES

### LOCAL GROSS EARNINGS TAX

(M.S. 295.37 and 451.07)

**Tax Base:** Gross earnings of trust companies and utilities operating in certain cities and counties.

#### Rates:

Trust companies 6%

Utility companies

Minneapolis	3.00%	White Bear Lake	1.5%
St. Paul	8.67	Winona	1.5
Coon Rapids	3.00	Albert Lea	5.0
South St. Paul	5.00	Crookston	4.0
St. Cloud	3.00	Waseca	2.0
West St. Paul	5.00	Duluth	1.5

#### Revenue

Collections: Local units collect tax.

Disposition: Local revenue funds.

#### Administration

Who Pays: Utilities and trust companies.

Payment Dates:

- Trust companies — March 1st.
- Utility companies — established locally.



## SEVERANCE TAXES

### SAND AND GRAVEL OCCUPATION TAX (M.S. 298.75)

**Tax Base:** Gravel removed from gravel pits or deposits.

**Rates:** Maximum of \$.10 per cubic yard of gravel.

#### Revenue

County	F.Y. 1980
Becker	\$14,000
Clay	76,000
Kittson	20,000
Norman	7,000
Wilkin	5,000

**Disposition:** 1980 legislation provided for 60% distribution to county road and bridge fund, 30% to town road and bridge fund, and 10% for restoration of abandoned pits.

#### Administration

**Who Pays:** Those removing gravel from pits or deposits in counties where tax is authorized.

**Payment Dates:** Annually.

#### History of Major Changes

From 1961-1979, seven counties had received authority to impose this tax through special legislation. The 1980 Legislature gave all counties the option of imposing such tax at county discretion.

## SECTION TWO

## STATE-LOCAL FISCAL RELATIONS

Minnesota utilizes what may be termed a "broad-based" revenue system to help pay the costs of local government. Essentially, this means that a large amount of state tax revenues are used to finance local units.

In recent years, the state has taken on an ever greater responsibility for financing various local functions. State aid payments are made for both the general support of local governments and for specific purposes, e.g., certain educational costs.

This section describes the major state-local aid programs in Minnesota. It is intended only to provide a general description of the state-local fiscal system, so miscellaneous aids and grants to local governments are not included.

### LOCAL AIDS

**Local Government Aid** – Enacted in 1971, this aid supports general operations of local governmental units. Counties, cities, and towns receive distributions quarterly based on a statutory aid formula.

**Homestead Credit Aid** – The amount of homestead credit is subtracted from the tax statement, and the taxpayer pays only the net amount. Then the state reimburses school districts, county, city and town governments, and special taxing districts for the tax relief provided homestead property.

**Taconite Homestead Credit Aid** – Local taxing districts within "taconite relief areas" are reimbursed for tax credit given homestead property.

**Attached Machinery Aid and School District Attached Machinery Aid** – Reimbursements are made each year to school districts and county, city and town governments for lost revenue due to the exemption of ponderous machinery and equipment from real property taxation.

**Agricultural Aid to School Districts** – Aid is paid to school districts for mill rate credit provided to agricultural lands and seasonal residential recreational property.

### SHARED TAXES

**Estate Tax Aid** – County governments receive 10% of the net estate tax collections annually. 90% is placed in the state general fund.

**Mortgage Registry Tax Aid** – Mortgage registry tax payments are made at the county level, with 5% of such collections being retained for county purposes. 95% is remitted to the state general fund.

**Taconite Production Tax Aid** – Counties, cities, towns and school districts in which taconite is mined and processed receive most of the proceeds of the taconite production tax. Remaining amounts are distributed to other sources such as the IRRRB, the Environmental Protection Fund, and the state.

## PUBLIC WELFARE AIDS

A combination of federal, state, and county funds are used to finance public welfare payments. The two basic categories for welfare aids are public assistance programs and general assistance programs.

### Public Assistance Programs

**Aid to Families with Dependent Children (AFDC)** – Though federal, state, and county monies are used to finance this program, payments are made at the county level. Eligibility involves low or no income status and lack of other assets.

**Supplemental Security Income (SSI)** – These funds are provided for aged, blind, or disabled persons who receive welfare aid directly from the federal government.

**Medical Assistance** – Funds from this program are paid to doctors, nursing homes, pharmacists, etc., for medical services provided to welfare recipients.

### General Assistance Programs

These cash payments are made to low income persons who do not qualify for AFDC or SSI.

## EDUCATION AIDS

The Department of Education administers four major aid programs for the state's school districts. These are as follows:

**Foundation Aid** – Amounts payable for this general support aid are based on the required expenditure per pupil, local tax support, and amounts of other aids expected.

**Transportation Aid** – This aid is tied to local support and is based on the number of pupils requiring transportation.

**Special Education Aid** – The state pays districts for employing teachers in special education and contributes a percentage of the cost for supplies and equipment.

**Vocational Aid** – The state pays a percentage of specified costs plus a fixed amount per student in average daily membership.

## HIGHWAY AND MASS TRANSIT AID

Highway aid is financed from the gasoline excise tax and motor vehicle license fees. It is distributed through the following funds:

**County State Aid Highway Fund** – The formula for rewarding these funds is based on vehicle registrations, highway mileage, and need.

**Municipal State Aid Street Fund** – These funds are distributed on the basis of need and population.

The level of funding for the various aid categories is indicated as follows:

### Local Aids

Local Government Aid	\$225,054,375	(C.Y. 1979)
Homestead Credit Aid	246,058,476	(C.Y. 1979)
Taconite Homestead Credit Aid	12,191,566	(C.Y. 1979)
Attached Machinery Aid	11,440,233	(C.Y. 1979)
S.D. Attached Machinery Aid	2,029,155	(C.Y. 1979)
Agricultural Aid to School Districts	41,634,224	(C.Y. 1979)
	<u>\$538,408,029</u>	

### Shared Taxes

Inheritance Tax Aid	\$ 3,783,889	(C.Y. 1979)
Mortgage Registry Tax Aid	532,105	(F.Y. 1979)
Taconite Production Tax Aid	67,421,457	(C.Y. 1979)
	<u>\$ 71,737,451</u>	

### Welfare Aids

AFDC	\$165,625,791	(C.Y. 1979)
SSI	37,644,553	(C.Y. 1979)
Medical Assistance	213,228,252	(C.Y. 1979)
General Assistance	18,715,545	(C.Y. 1979)
	<u>\$435,214,141</u>	

### Education Aids

Foundation Aid	\$667,977,345	(1979-1980)*
Transportation Aid	96,128,088	(1979-1980)*
Special Education Aid	82,850,132	(1979-1980)*
Vocational Aid	110,791,180	(1979-1980)*
	<u>\$957,746,745</u>	

### Transportation Aid

County	\$ 94,903,252	(C.Y. 1979)
Municipal	30,644,981	(C.Y. 1979)
	<u>\$125,548,233</u>	

\*These amounts are estimates for the 1979-1980 school year, but should approximate actual expenditures.

A general comparison of fiscal year 1980 state tax collections and aid expenditures for calendar year 1979 or fiscal year 1980 is shown below. Property tax refund amounts were included because they represent payments by the state to individuals for tax relief purposes.

**State Tax Collections**  
**\$3,181.6 Million**  
**(F.Y. 1980)**

Other Taxes \$425.0 Million	Local Aids \$2,318.5 Million (C.Y. 1979 or F.Y. 1980)
Severance and Gross Earnings \$243.5 Million	Transportation Aid \$125.5 Million
Highway Gasoline \$202.8 Million	Property Tax Refund \$190.0 Million
Corporation and Bank Income \$381.3 Million	Welfare Aids \$435.2 Million
Sales and Use \$657.2 Million	Local Aids and Shared Taxes \$610.1 Million
Individual Income \$1,271.8 Million	Education Aids \$957.7 Million

Local Aids —  $\frac{\$2,318.5 \text{ million}}{\$3,181.6 \text{ million}} = .7287 \text{ Ratio}$   
 Net State Tax Collections — \$3,181.6 million

## STATE AND LOCAL TAX COLLECTIONS

### NET STATE TAX COLLECTIONS

	F.Y. 1979 (000's)	F.Y. 1980 (000's)	F.Y. 1980 % of Total
<b>Income Taxes</b>			
Individual	\$1,255,998	\$1,271,810	39.97%
Corporation	324,126	345,223	10.85
Bank Excise	32,608	36,093	1.13
Employer's Excise <sup>a</sup>	4,297	-298 <sup>a</sup>	—
<b>Inheritance and Gift Taxes</b>			
Inheritance	37,844	39,966	1.26
Gift	2,984	1,953	0.06
<b>Sales and Excise Taxes</b>			
Sales and Use	615,854	657,167	20.66
Motor Vehicle Excise	96,855	88,698	2.79
Highway Gasoline	214,596	202,789	6.37
Aviation Gasoline	1,908	2,106	0.07
Liquor	42,685	43,067	1.35
Malt Beverages	10,924	11,135	0.35
Cigarette	83,415	84,307	2.65
Tobacco Products	2,186	2,240	0.07
Mortgage Registration	10,114	8,695	0.27
Deed Transfer	10,808	9,599	0.30
Motor Vehicle Recycling	980	889	0.03
<b>Gross Earnings Taxes</b>			
Telephone	48,116	53,568	1.68
Telegraph	247	729	0.02
Railroad	25,503	8,598	0.27
Taconite Railroad	3,267	3,634	0.11
Express	0	0	—
Freight Line	836	1,130	0.04
Insurance Premiums	58,164	62,297	1.96
State Fire Marshal	946	1,045	0.03
Fireman's Relief Surcharge	594	642	0.02
Rural Electric Cooperatives	37	38	b
Boxing Exhibition	5	41	b
<b>Severance and Tonnage Taxes</b>			
Taconite Production	69,222	88,484	2.78
Taconite Occupation	25,604	14,539	0.46
Iron Ore Occupation	4,522	2,702	0.09
Taconite Royalty	4,046	5,125	0.16
Iron Ore Royalty	882	924	0.03
Other Ores Royalty	21	35	b
Taconite Tailings <sup>a</sup>	1,965	0	—
<b>In Lieu of Property Taxes</b>			
Motor Vehicle Licenses	121,622	128,293	4.03
Airflight Property	3,420	4,293	0.14
<b>Total<sup>c</sup></b>	<b>\$3,117,201</b>	<b>\$3,181,556</b>	<b>100.00%</b>



- a) Employer's excise tax and taconite tailings tax are no longer in effect. Negative collection amount for employer's excise tax is due to refunds.
- b) Less than 0.01%.
- c) Does not constitute total Minnesota revenue. Licenses and permits have been left out along with miscellaneous collections from delinquent state property and forfeited property.

### LOCAL TAX COLLECTIONS

Fiscal Years Ending June 30, 1979 and June 30, 1980

	F.Y. 1979 Amount (000's)	F.Y. 1980 Amount (000's)	F.Y. 1980 % of Total
Property Taxes <sup>1</sup>			
Real Property <sup>2</sup>	\$1,285,205	\$1,287,178	87.60%
Personal Property	47,385	48,159	3.28
Special Assessments	75,703	85,185	5.80
Mobile Home Property <sup>3</sup>	5,939	5,948 est.	0.40
Tree Growth <sup>5</sup>	228	227	0.01
Auxiliary Forest <sup>5</sup>	17	18	*
Rural Powerlines	9,984	12,372	0.84
Sales Tax			
Bloomington	1,106	1,277	0.09
Duluth - 1%	4,153	4,319	0.29
Duluth - 3%	256	264	0.02
Minneapolis	2,206	2,326	0.16
Rochester	630	678	0.05
St. Paul	300	331	0.02
Stadium Commission	4,239	3,193	0.22
Gross Earnings Taxes <sup>4</sup>			
Minneapolis	5,146	5,380	0.36
St. Paul	10,529	12,446	0.85
Sand and Gravel Taxes			
Clay	39	76	0.01
Norman	13	7	*
Wilkin	5	5	*
Kittson	25	20	*
Becker	18	14	*
Grand Total	\$1,453,126	\$1,469,423	100.00%

\*Less than 0.005%.

#### Footnotes

1. Fiscal year 1979 property taxes were levied in calendar year 1978 and were payable in calendar year 1979. Fiscal year 1980 property taxes were levied in calendar year 1979 and were payable in calendar year 1980. Taxes on mobile homes are levied and payable in the same year.

	F.Y. 1979 (000's)	F.Y. 1980 (000's)
2. After Credit		
Regular Homestead Credit	\$242,340	\$358,308
Taconite Homestead Credit	11,749	13,006
Agricultural Credit	41,634	52,187

	F.Y. 1979 (000's)	F.Y. 1980 (000's)
3. After Credit		
Regular Homestead Credit	3,054	4,515 (est.)
Taconite Homestead Credit	399	442 (est.)

4. Fiscal year 1979 collections are as of calendar year ending 12-31-78. Fiscal year 1980 collections are as of calendar year ending 12-31-79.
5. Fiscal year 1979 collections are as of calendar year ending 12-31-79. Fiscal year 1980 collections are as of calendar year ending 12-31-80.