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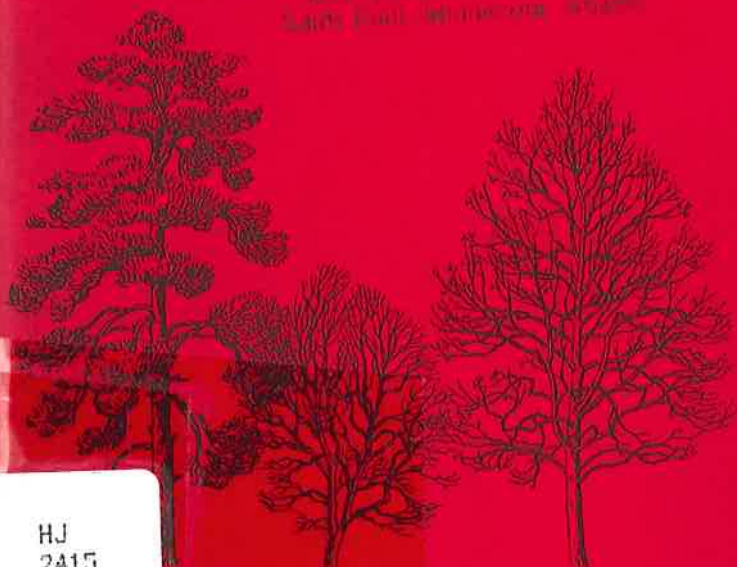
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MINNESOTA TAX HANDBOOK

A Profile of State and
Local Taxes in Minnesota

1982 Edition

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MINNESOTA DEPARTMENT OF REVENUE
Research Office

August, 1982

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Income Taxes

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- Corporation Income Tax
- Bank Estate Tax
- Estate Tax

Gift and Transfer Taxes

- Gift and Tax Tax
- Marital Deduction Exemption
- Charitable Tax Exemption

Minnesota Tax Handbook

A Profile of State and Local Taxes in Minnesota 1982 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 and various state tax rankings.

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 at the end of 1981. Dates stated for major changes generally indicate the year enacted as opposed to the effective date.

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INCOME TAXES

PERSONAL INCOME TAX

(U.S. Edition 1964)

Tax Base: Federal adjusted gross income less certain state deductions.

Notes:

| State | Federal Income* | State** |
|-------|-----------------|---------|
| 1 | \$0 | 1.00 |
| 2 | 1.00 | 1.10 |
| 3 | 2.00 | 1.20 |
| 4 | 3.00 | 1.30 |
| 5 | 4.00 | 1.40 |
| 6 | 5.00 | 1.50 |
| 7 | 6.00 | 1.60 |
| 8 | 7.00 | 1.70 |
| 9 | 8.00 | 1.80 |
| 10 | 9.00 | 1.90 |
| 11 | 10.00 | 2.00 |
| 12 | 11.00 | 2.10 |
| 13 | 12.00 | 2.20 |
| 14 | 13.00 | 2.30 |
| 15 | 14.00 | 2.40 |
| 16 | 15.00 | 2.50 |
| 17 | 16.00 | 2.60 |
| 18 | 17.00 | 2.70 |
| 19 | 18.00 | 2.80 |
| 20 | 19.00 | 2.90 |
| 21 | 20.00 | 3.00 |
| 22 | 21.00 | 3.10 |
| 23 | 22.00 | 3.20 |
| 24 | 23.00 | 3.30 |
| 25 | 24.00 | 3.40 |
| 26 | 25.00 | 3.50 |
| 27 | 26.00 | 3.60 |
| 28 | 27.00 | 3.70 |
| 29 | 28.00 | 3.80 |
| 30 | 29.00 | 3.90 |
| 31 | 30.00 | 4.00 |
| 32 | 31.00 | 4.10 |
| 33 | 32.00 | 4.20 |
| 34 | 33.00 | 4.30 |
| 35 | 34.00 | 4.40 |
| 36 | 35.00 | 4.50 |
| 37 | 36.00 | 4.60 |
| 38 | 37.00 | 4.70 |
| 39 | 38.00 | 4.80 |
| 40 | 39.00 | 4.90 |
| 41 | 40.00 | 5.00 |
| 42 | 41.00 | 5.10 |
| 43 | 42.00 | 5.20 |
| 44 | 43.00 | 5.30 |
| 45 | 44.00 | 5.40 |
| 46 | 45.00 | 5.50 |
| 47 | 46.00 | 5.60 |
| 48 | 47.00 | 5.70 |
| 49 | 48.00 | 5.80 |
| 50 | 49.00 | 5.90 |
| 51 | 50.00 | 6.00 |
| 52 | 51.00 | 6.10 |
| 53 | 52.00 | 6.20 |
| 54 | 53.00 | 6.30 |
| 55 | 54.00 | 6.40 |
| 56 | 55.00 | 6.50 |
| 57 | 56.00 | 6.60 |
| 58 | 57.00 | 6.70 |
| 59 | 58.00 | 6.80 |
| 60 | 59.00 | 6.90 |
| 61 | 60.00 | 7.00 |
| 62 | 61.00 | 7.10 |
| 63 | 62.00 | 7.20 |
| 64 | 63.00 | 7.30 |
| 65 | 64.00 | 7.40 |
| 66 | 65.00 | 7.50 |
| 67 | 66.00 | 7.60 |
| 68 | 67.00 | 7.70 |
| 69 | 68.00 | 7.80 |
| 70 | 69.00 | 7.90 |
| 71 | 70.00 | 8.00 |
| 72 | 71.00 | 8.10 |
| 73 | 72.00 | 8.20 |
| 74 | 73.00 | 8.30 |
| 75 | 74.00 | 8.40 |
| 76 | 75.00 | 8.50 |
| 77 | 76.00 | 8.60 |
| 78 | 77.00 | 8.70 |
| 79 | 78.00 | 8.80 |
| 80 | 79.00 | 8.90 |
| 81 | 80.00 | 9.00 |
| 82 | 81.00 | 9.10 |
| 83 | 82.00 | 9.20 |
| 84 | 83.00 | 9.30 |
| 85 | 84.00 | 9.40 |
| 86 | 85.00 | 9.50 |
| 87 | 86.00 | 9.60 |
| 88 | 87.00 | 9.70 |
| 89 | 88.00 | 9.80 |
| 90 | 89.00 | 9.90 |
| 91 | 90.00 | 10.00 |
| 92 | 91.00 | 10.10 |
| 93 | 92.00 | 10.20 |
| 94 | 93.00 | 10.30 |
| 95 | 94.00 | 10.40 |
| 96 | 95.00 | 10.50 |
| 97 | 96.00 | 10.60 |
| 98 | 97.00 | 10.70 |
| 99 | 98.00 | 10.80 |
| 100 | 99.00 | 10.90 |
| 101 | 100.00 | 11.00 |
| 102 | 101.00 | 11.10 |
| 103 | 102.00 | 11.20 |
| 104 | 103.00 | 11.30 |
| 105 | 104.00 | 11.40 |
| 106 | 105.00 | 11.50 |
| 107 | 106.00 | 11.60 |
| 108 | 107.00 | 11.70 |
| 109 | 108.00 | 11.80 |
| 110 | 109.00 | 11.90 |
| 111 | 110.00 | 12.00 |
| 112 | 111.00 | 12.10 |
| 113 | 112.00 | 12.20 |
| 114 | 113.00 | 12.30 |
| 115 | 114.00 | 12.40 |
| 116 | 115.00 | 12.50 |
| 117 | 116.00 | 12.60 |
| 118 | 117.00 | 12.70 |
| 119 | 118.00 | 12.80 |
| 120 | 119.00 | 12.90 |
| 121 | 120.00 | 13.00 |
| 122 | 121.00 | 13.10 |
| 123 | 122.00 | 13.20 |
| 124 | 123.00 | 13.30 |
| 125 | 124.00 | 13.40 |
| 126 | 125.00 | 13.50 |
| 127 | 126.00 | 13.60 |
| 128 | 127.00 | 13.70 |
| 129 | 128.00 | 13.80 |
| 130 | 129.00 | 13.90 |
| 131 | 130.00 | 14.00 |
| 132 | 131.00 | 14.10 |
| 133 | 132.00 | 14.20 |
| 134 | 133.00 | 14.30 |
| 135 | 134.00 | 14.40 |
| 136 | 135.00 | 14.50 |
| 137 | 136.00 | 14.60 |
| 138 | 137.00 | 14.70 |
| 139 | 138.00 | 14.80 |
| 140 | 139.00 | 14.90 |
| 141 | 140.00 | 15.00 |
| 142 | 141.00 | 15.10 |
| 143 | 142.00 | 15.20 |
| 144 | 143.00 | 15.30 |
| 145 | 144.00 | 15.40 |
| 146 | 145.00 | 15.50 |
| 147 | 146.00 | 15.60 |
| 148 | 147.00 | 15.70 |
| 149 | 148.00 | 15.80 |
| 150 | 149.00 | 15.90 |
| 151 | 150.00 | 16.00 |
| 152 | 151.00 | 16.10 |
| 153 | 152.00 | 16.20 |
| 154 | 153.00 | 16.30 |
| 155 | 154.00 | 16.40 |
| 156 | 155.00 | 16.50 |
| 157 | 156.00 | 16.60 |
| 158 | 157.00 | 16.70 |
| 159 | 158.00 | 16.80 |
| 160 | 159.00 | 16.90 |
| 161 | 160.00 | 17.00 |
| 162 | 161.00 | 17.10 |
| 163 | 162.00 | 17.20 |
| 164 | 163.00 | 17.30 |
| 165 | 164.00 | 17.40 |
| 166 | 165.00 | 17.50 |
| 167 | 166.00 | 17.60 |
| 168 | 167.00 | 17.70 |
| 169 | 168.00 | 17.80 |
| 170 | 169.00 | 17.90 |
| 171 | 170.00 | 18.00 |
| 172 | 171.00 | 18.10 |
| 173 | 172.00 | 18.20 |
| 174 | 173.00 | 18.30 |
| 175 | 174.00 | 18.40 |
| 176 | 175.00 | 18.50 |
| 177 | 176.00 | 18.60 |
| 178 | 177.00 | 18.70 |
| 179 | 178.00 | 18.80 |
| 180 | 179.00 | 18.90 |
| 181 | 180.00 | 19.00 |
| 182 | 181.00 | 19.10 |
| 183 | 182.00 | 19.20 |
| 184 | 183.00 | 19.30 |
| 185 | 184.00 | 19.40 |
| 186 | 185.00 | 19.50 |
| 187 | 186.00 | 19.60 |
| 188 | 187.00 | 19.70 |
| 189 | 188.00 | 19.80 |
| 190 | 189.00 | 19.90 |
| 191 | 190.00 | 20.00 |
| 192 | 191.00 | 20.10 |
| 193 | 192.00 | 20.20 |
| 194 | 193.00 | 20.30 |
| 195 | 194.00 | 20.40 |
| 196 | 195.00 | 20.50 |
| 197 | 196.00 | 20.60 |
| 198 | 197.00 | 20.70 |
| 199 | 198.00 | 20.80 |
| 200 | 199.00 | 20.90 |
| 201 | | |

INCOME TAXES

INDIVIDUAL INCOME TAX

(M.S., Section 290.03)

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

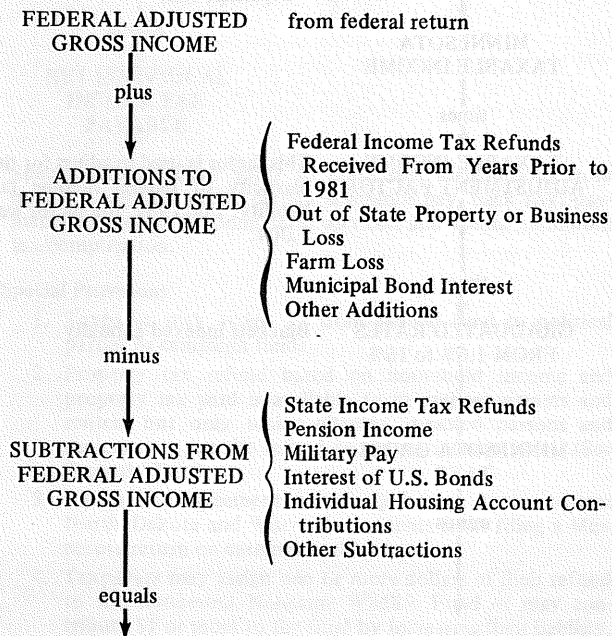
Rates:

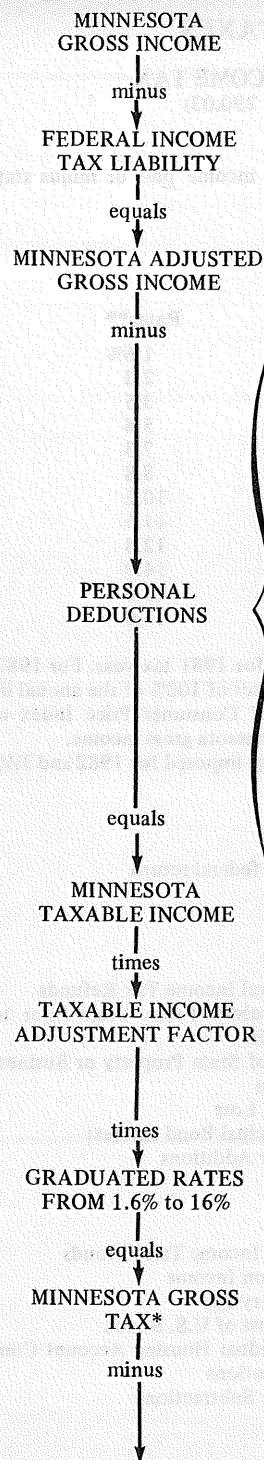
| Minnesota Taxable Income* | Rates** |
|------------------------------|---------|
| \$ 0 - \$ 654 | 1.6% |
| 655 - 1,308 | 2.2 |
| 1,309 - 2,614 | 3.5 |
| 2,615 - 3,920 | 5.8 |
| 3,921 - 5,226 | 7.3 |
| 5,227 - 6,532 | 8.8 |
| 6,533 - 9,144 | 10.2 |
| 9,145 - 11,756 | 11.5 |
| 11,757 - 16,327 | 12.8 |
| 16,328 - 26,121 | 14.0 |
| 26,122 - 35,915 | 15.0 |
| 35,916 and Over | 16.0 |

*Reflects taxable income brackets for 1981 tax year. For 1982, brackets will be indexed by the lesser of 100% of the annual increase in the Minneapolis-St. Paul Consumer Price Index or 100% of the annual increase in Minnesota gross income.

**Additional 7% income tax surcharge imposed for 1982 and 3½% surtax imposed for 1983.

Computation:





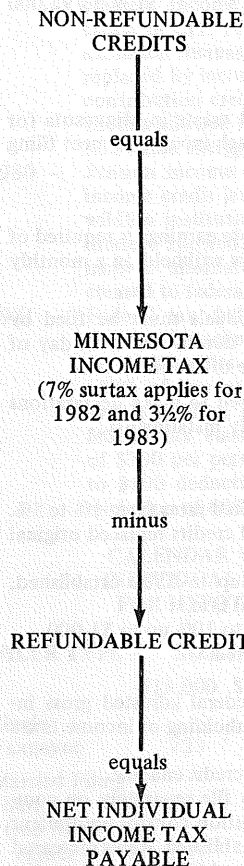
Standard Deduction:
10% of Minnesota Adjusted Gross Income up to \$2,206. For 1982, standard deduction indexed at lesser of 100% of the C.P.I. increase or 100% of the increase in Minnesota gross income.

or

Itemized Deductions:
Medical and Dental Expenses
Taxes (Real Estate, Gasoline, Sales, Car License)
Interest Expense
Contributions
Casualty or Theft Losses
Miscellaneous Deductions (union dues, tax return preparation fee, education expenses, adoption expenses, etc.)

This factor is used to adjust for the elasticity of federal income tax liability. For 1981, the factor was 1.004.

Brackets indexed annually



Personal credits of \$66 per exemption for taxpayer, spouse, dependents, over 65, blind, deaf, quadriplegic. For 1982, personal credits indexed at the lesser of 100% of the C.P.I. increase or 100% of the increase in Minnesota gross income.
Income Tax Paid to Other States
Homemaker Credit to \$50
Pollution Control Credit
Residential Energy Credit
Political Contribution Credit
Research Credit

Choice of the smaller tax:

1. EITHER the tax calculated from taxable income being applied to the rate schedule minus the non-refundable credits
2. OR the "low income alternative tax" for taxpayers having income under specified levels

Property Tax Refund
Exempt Agricultural Electricity Credit
Dependent Care Credit up to \$400 (\$800 for two or more dependents)
Gas Tax Credit

*Special computations apply to lump sum distributions from qualified pension plans, certain severance pay, back pay, payments in receipt for long term services, and special minimum tax 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 or may contribute \$1 or more to the fund by increasing their liability.

Revenue

| | | |
|--------------|-----------|-----------------|
| Collections: | F.Y. 1979 | \$1,255,998,000 |
| | F.Y. 1980 | \$1,271,810,000 |
| | F.Y. 1981 | \$1,405,792,000 |

Disposition: State General Fund

Administration

Who Pays: Every individual, trust, and estate in Minnesota (or residing in Minnesota) which earns 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 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.
- 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 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 limits to \$7,200. Income adjusted homestead credit becomes Property Tax Refund. Senior citizen property tax freeze repealed.
- 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 allowed. Changed low income credit to low income alternative tax. Dependent care credit increased to federal levels.
- 1981 — Federal tax deduction changed to accrual basis. Indexing of brackets, standard deduction maximum, and personal credits changed to 100% of C.P.I. increase or 100% of increase in Minnesota gross income, whichever is smaller. Taxable income adjustment factor for federal tax elasticity adopted. Eliminated deduction of \$200 per person for interest and dividends (reverts to \$100 deduction for dividends only). Capital gains exclusion of 60% allowed. Surtax of 7% enacted.

CALENDAR YEAR 1982 ESTIMATED INDIVIDUAL INCOME TAX BURDENS FOR HYPOTHETICAL TAXPAYERS

| FILER TYPE | SIZE OF MINNESOTA GROSS INCOME | | | | |
|-------------------------|--------------------------------|----------|----------|----------|-----------|
| | \$15,000 | \$25,000 | \$35,000 | \$50,000 | \$100,000 |
| Single Taxpayer | 723 | 1,526 | 2,354 | 3,493 | 7,106 |
| Married Filing Joint | | | | | |
| One Wage-earner | 597 | 1,496 | 2,424 | 3,743 | 7,700 |
| 2 Dependents | | | | | |
| Married Filing Separate | | | | | |
| 75-25 Income Split | 322 | 1,012 | 1,794 | 2,966 | 6,540 |
| 2 Dependents | | | | | |

NOTE: Calculations for all filer types assumed itemized deductions were used equivalent to 20% of Minnesota gross income. 1982 liability estimates include 7% surtax.

Comparison With Other States

| | California | Illinois | Iowa | Michigan | MINNESOTA | New York | North Dakota | Wisconsin |
|------------------------------|---|---------------------------|---|-------------------------------|---|-----------------------------------|--|-------------------------------------|
| Federal Tax Deduction | | | | | | | | |
| Standard Deduction | | | | | | | | |
| Single | \$1,400 | No | 15% to: | No | 10% to: | 17% to: | Yes | No |
| Joint | 2,800 | | \$1,200 | | \$2,206 | \$2,500 | \$2,300 | \$2,300 ^a |
| Married Separate | 1,400 | | 3,000 | | 2,206 | 2,500 | 3,400 | 3,400 |
| Personal Exemptions | | | | | | | | |
| Single | | \$1,000 | | \$1,500 | | \$ 750 | \$1,000 | |
| Joint | | 2,000 | | 3,000 | | 1,500 | 2,000 ^b | |
| Dependent | | 1,000 | | 1,500 | | 750 | 1,000 | |
| Personal Credits | | | | | | | | |
| Single | \$ 35 | | \$ 19 | | \$ 66 | | | \$ 20 |
| Joint | 70 | | 37 | | 132 | | | 40 |
| Dependent | 11 | | 14 | | 66 | | | 20 |
| Rates | | | | | | | | |
| | 1% to 11% on income over \$22,140 | 2½% on taxable net income | 5% to 13% on taxable income over gross income | 4.6% of adjusted gross income | See Rates Above | 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 \$48,200 |
| | (Indexes brackets, standard deduction, and credits) | | (Indexes tax brackets) | | (Indexes brackets, standard deduction, and credits) | | | (Indexes tax brackets) |

South Dakota and Texas do not impose personal income taxes.

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

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

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

d Alternative tax liability of 7.5% of adjusted federal income tax liability may be elected.

CORPORATION INCOME TAX (M.S. 290.02)

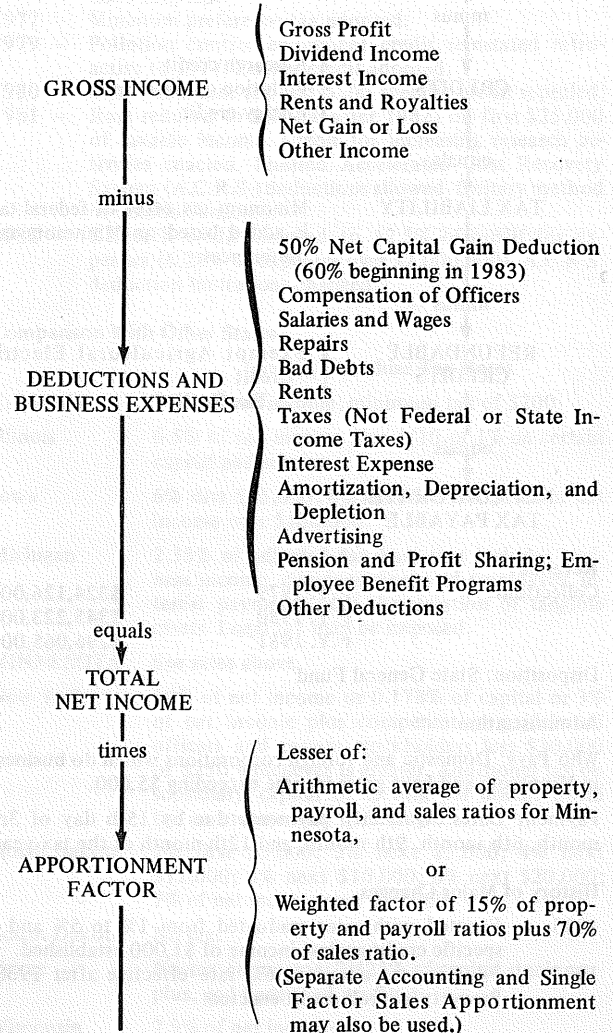
Tax Base: Minnesota taxable net income of the corporation.
Unitary reporting method is used.

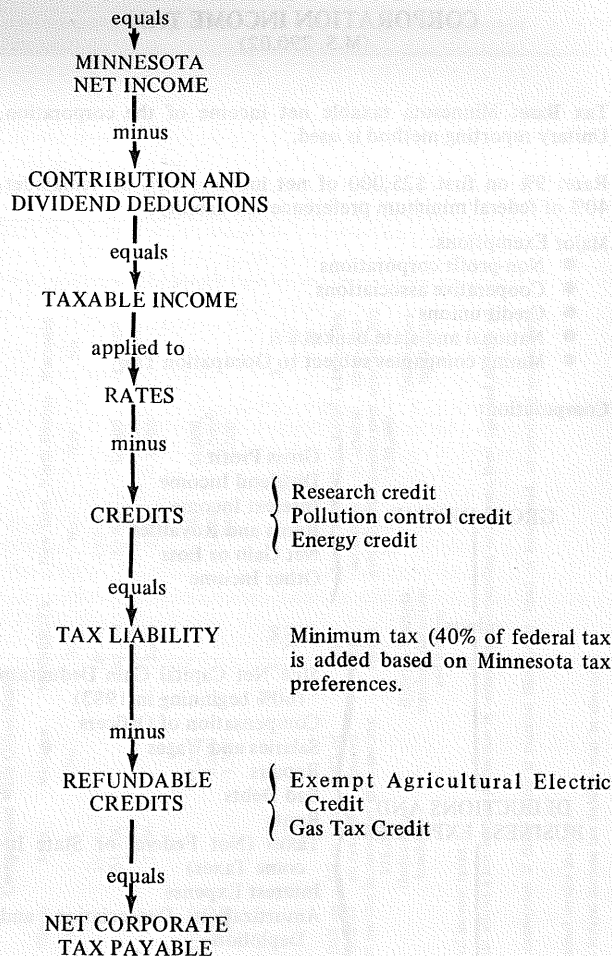
Rate: 9% on first \$25,000 of net income, 12% on remainder.
40% of federal minimum preference tax liability.

Major Exemptions:

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

Computation:





| | | |
|----------------|-----------|---------------|
| Revenue | | |
| Collections: | F.Y. 1979 | \$324,126,000 |
| | F.Y. 1980 | \$345,223,000 |
| | F.Y. 1981 | \$296,065,000 |

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.
- 1981 — Rate reduced to 9% (6% after 1982) on first \$25,000 of taxable income. Credit for increasing research activities enacted. Limited Accelerated Cost Recovery System (A.C.R.S.) deductions allowed. Unitary method of taxation enacted.
- 1982 — Research credit changed to 12.5% of qualifying expenses (6.25% of expenses over \$2,000,000). A.C.R.S. deduction limitations changed.

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 1/10 of 1% on certain 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 | See rates above. |
| 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 \$30,000 or \$250 whichever is greater. Additional tax on subsidiary capital of .9 mill per dollar. Local tax on income may be imposed. |
| North Dakota | 2% first \$3,000; 3% next \$5,000; 4% next \$12,000; 5% next \$10,000; 6% next \$20,000; 7% of net income over \$50,000. |
| South Dakota | No tax. |
| Texas | No tax on income; 0.425% of capital stock, surplus, and undivided profits. |
| Wisconsin | 7.9% of net income. |

BANK EXCISE TAX

(M.S., Section 290.361)

Tax Base: Bank net income

Rates: 9% of first \$25,000 of taxable income, 12% of remainder.
40% of federal minimum preference tax liability.

Revenue

| | | |
|--------------|-----------|--------------|
| Collections: | F.Y. 1979 | \$32,608,000 |
| | F.Y. 1980 | \$36,093,000 |
| | F.Y. 1981 | \$35,655,000 |

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; 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.
- 1981 — Rate reduced to 9% (6% after 1982) on first \$25,000 of taxable income.

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 | See rates above. |
| 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 | 7.9% of net income. |

ESTATE TAX

(M.S., Section 291.01)

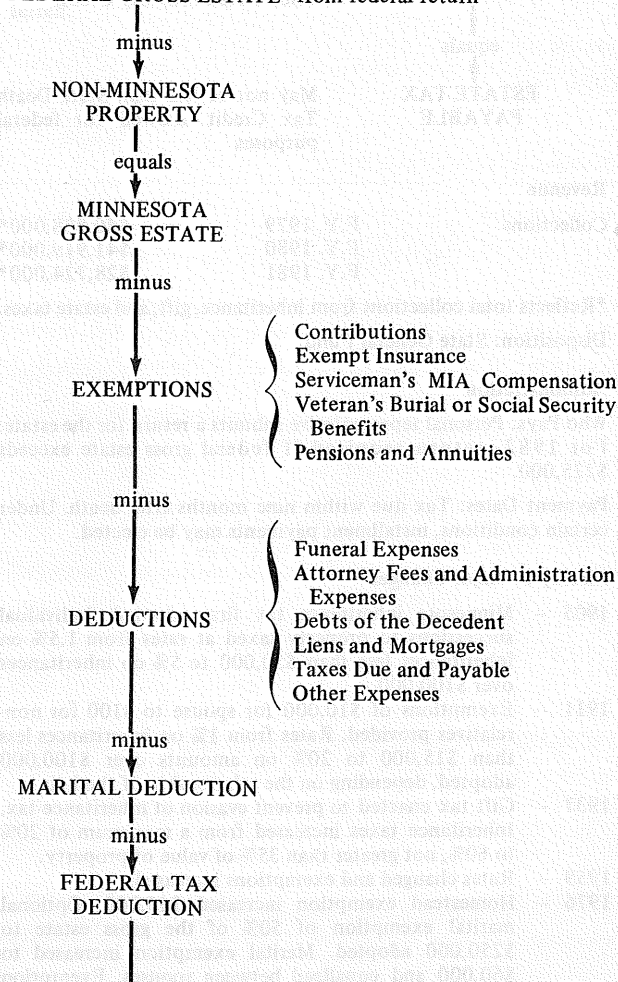
Tax Base: Federal gross estate less exemptions and deductions.

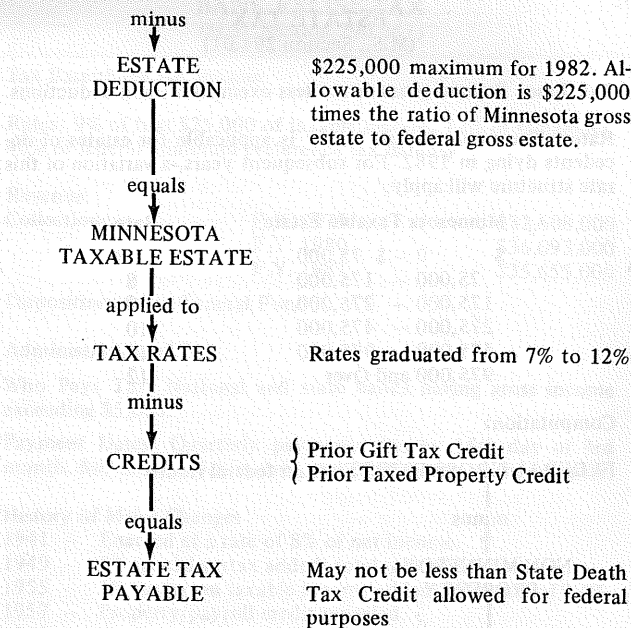
Rates: The rate schedule below is applicable for estates of decedents dying in 1982. For subsequent years, a variation of this rate structure will apply.

| Minnesota Taxable Estate | Rate |
|--------------------------|------|
| \$ 0 — \$ 75,000 | 7% |
| 75,000 — 175,000 | 8 |
| 175,000 — 275,000 | 9 |
| 275,000 — 475,000 | 10 |
| 475,000 — 975,000 | 11 |
| 975,000 and Over | 12 |

Computation:

FEDERAL GROSS ESTATE from federal return





Revenue

| | | |
|--------------|-----------|---------------|
| Collections: | F.Y. 1979 | \$40,828,000* |
| | F.Y. 1980 | \$41,919,000* |
| | F.Y. 1981 | \$28,724,000* |

*Reflects total collections from inheritance, gift, and estate taxes.

Disposition: State General Fund

Administration

Who Pays: Personal representative submits a return for the estate. For 1982, return required if federal gross estate exceeds \$225,000.

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 spouse 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 \$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%.

1981 — Eliminated 10% distribution to counties. Conformed to federal changes increasing minimum filing requirements and providing unlimited marital deduction.

Comparison With Other States

MINNESOTA Rates graduated from 7% to 12% for taxable amounts over \$975,000.

New York Rates graduated from 2% to 21% for taxable amount over \$10.1 million.

North Dakota and Texas Tax equals maximum credit for state death taxes allowed against federal estate tax.

California, Illinois, Iowa, Michigan, South Dakota 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., Section 297A.02)

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

Rates: 5% of taxable sales, except sales of new and used farm machinery (4%) and, under certain conditions, property shipped outside Minnesota is subject to tax at the destination state's rate. Additional 5% on on-sale liquor.

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

Major Exemptions: Food for consumption off premises, clothing, drugs and medications, 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. 1979 | \$615,854,000 |
| | F.Y. 1980 | \$657,167,000 |
| | F.Y. 1981 | \$686,565,000 |

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. Accelerated payment of one-half June liability due June 25th for vendors having large liabilities. 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.
- 1981 – Rate temporarily increased from 4% to 5%, except for sales of new and used farm machinery. Tax on vending products increased to 5% and exemption for cigarettes repealed. June accelerated payment enacted.
- 1982 – Exemptions for candy and pop repealed. Cable TV services subjected to tax. Property shipped outside Minnesota taxed at destination state's rate under certain conditions. Additional 5% tax imposed on on-sale liquor.

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 | See rates above | No |
| New York | 4.00% | Yes |
| North Dakota | 3.00%** | No |
| South Dakota | 4.00% | Yes |
| Texas | 4.00% | Yes |
| Wisconsin | 5.00% | *** |

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

**2% on farm machinery, irrigation equipment and new mobile homes.

***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., Section 297B.02)

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

Rate: 5%

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. 1979 | \$96,855,000 |
| | F.Y. 1980 | \$88,698,000 |
| | F.Y. 1981 | \$87,083,000 |

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 licensed 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%.
- 1981 – Rate temporarily increased from 4% to 5%.

Comparison With Other States

MINNESOTA 5%.

North Dakota 3%.

South Dakota 3%.

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., Section 296.02)

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

Rate: 13 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 by the Petroleum Division on a graduated basis, depending upon the number of gallons purchased.

Exemptions:

- Petroleum substitutes produced from waste products.
- Sales to U.S. Government.
- Sales to a transit system owned by a city or town.

Revenue

| | | Highway Fuels | Aviation Fuels |
|--------------|-----------|---------------|----------------|
| Collections: | F.Y. 1979 | \$214,596,000 | \$1,908,000 |
| | F.Y. 1980 | \$202,789,000 | \$2,106,000 |
| | F.Y. 1981 | \$230,857,000 | \$2,014,000 |

Disposition: Highway Fuels — 99.25% to Highway Users Fund, .75% Department of Natural Resources; Aviation Fuels — State Airports Fund.

Administration

Who Pays: Distributors of gasoline collect and remit the tax. Sellers of special fuels collect and remit tax. Bulk purchasers of special fuels may elect to remit the tax on fuel purchased by them.

Payment Dates: 23rd day of month following purchase by distributor or dealer.

History of Major Changes

- 1925 — Enacted at two cents a gallon.
- 1929 — 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.
- 1981 — Increased to thirteen cents a gallon.

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 13 cents; diesel fuel 13.5 cents; motor fuels containing at least 10% alcohol distilled from agricultural products 6 cents. |
| Michigan | Gasoline 11 cents; diesel fuel 11 cents; aircraft 3 cents (Interstate Commerce 1.5 cents). |
| MINNESOTA | 13 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 13 cents; gasohol 9 cents; LPG 11 cents; aircraft 6 cents; jet fuel 4 cents. |
| Texas | Gasoline and other fuels 5 cents; diesel fuel 6.5 cents; liquified gas 5 cents. |
| Wisconsin | 13 cents. |

ALCOHOLIC BEVERAGE TAX

(M.S., Section 340.47)

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

Rates:

Wines:

| | |
|--|------------------|
| Minnesota Vintners' Wine — First 50,000 gal. | |
| to 14% | \$.04 per liter |
| over 14% | .13 per liter |
| Unfortified Wines | .07 per liter |
| Fortified Wines — 14% to 21% Alcohol | |
| by Volume | .21 per liter |
| Fortified Wines — 21% to 24% Alcohol | |
| by Volume | .42 per liter |
| Fortified Wines — Over 24% Alcohol | |
| by Volume | .81 per liter |
| Sparkling Wines | .40 per liter |
| Distilled Spirits | 1.16 per liter |

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. 1979 | \$53,609,000 |
| | F.Y. 1980 | \$54,202,000 |
| | F.Y. 1981 | \$55,803,000 |

Disposition: State General Fund

Administration

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

Payment Dates: Beer — 15th day of month following the month in which sale is made. Liquor — 10th day.

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 \$.04 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. |
| | | |
| Iowa | Wine less than 14% | \$.23 per gallon |
| | Wine greater than 14% | \$.60 per gallon |
| | Distilled Spirits | \$2.00 per gallon |
| | Beer | \$.07 per gallon |
| | Distilled Spirits and Wine | 15% of price set |
| | | by liquor control commission |
| | Beer | \$4.34 per barrel |

| | | |
|----------|---------------------------|-------------------|
| Michigan | Wine | \$.50 per gallon |
| | Wine Produced in Michigan | \$.04 per gallon |
| | Distilled Spirits | 8%-9.85% of |
| | | retail price with |
| | | alcoholic content |
| | | greater than 22% |
| | Beer | \$6.30 per barrel |

| | | |
|--------------|------------------------------------|------------------------|
| MINNESOTA | See Rates Above | |
| New York | Wine (Still) | \$.026 per liter |
| | Artificially Carbonated Wine | \$.07 per liter |
| | Natural Sparkling Wine | \$.14 per liter |
| | Hard Cider | \$.004 per liter |
| | Distilled Spirits less than 24% | \$.211 per liter |
| | Distilled Spirits greater than 24% | \$8.59 per liter |
| | Beer | 4-4/9 cents 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 |
| South Dakota | Beer in Bottles and Cans | \$.16 per gallon |
| | Wine less than 14% | \$.90 per gallon |
| | Wine — 14-20% | \$1.40 per gallon |
| | Wine more than 20% | \$2.00 per gallon |
| | Sparkling Wine | \$2.00 per gallon |
| | Distilled Spirits | \$3.80 per gallon |
| Texas | Beer 3.2% | \$5.00 per barrel |
| | Beer more than 3.2% | \$8.30 per barrel |
| | Wine less than 14% | \$.17 per gallon |
| | Wine more than 14% | \$.34 per gallon |
| Wisconsin | Sparkling Wine | \$.43 per gallon |
| | Distilled Spirits | \$2.00 per gallon |
| | Beer | \$5.00 per barrel |
| | Malt Liquor | \$.165 per gallon |
| | Wine less than 14% | \$.25 per gallon |
| | Wine more than 14% | \$.45 per gallon |
| | Distilled Spirits | \$3.25 per gallon |
| | Beer | \$2.00 per barrel |

CIGARETTE TAX

(M.S., Section 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. 1979 | \$83,415,000 |
| | F.Y. 1980 | \$84,307,000 |
| | F.Y. 1981 | \$86,199,000 |

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 | 18 cents |
| Michigan | 11 cents |
| MINNESOTA | 18 cents |
| New York | 15 cents |
| North Dakota | 12 cents |
| South Dakota | 15 cents |
| Texas | 18.5 cents |
| Wisconsin | 20 cents |

TOBACCO PRODUCTS TAX

(M.S., Section 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. 1979 | \$2,186,000 |
| | F.Y. 1980 | \$2,240,000 |
| | F.Y. 1981 | \$2,430,000 |

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. |
| Wisconsin | 20% of manufacturer's list price. |

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

MORTGAGE REGISTRY TAX

(M.S., Section 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. 1979 | \$10,114,000 |
| | F.Y. 1980 | \$ 8,695,000 |
| | F.Y. 1981 | \$ 8,561,000 |

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 \$.100 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., Section 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. 1979 | \$10,808,000 |
| | F.Y. 1980 | \$ 9,599,000 |
| | F.Y. 1981 | \$ 8,514,000 |

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 | \$.30 per \$100 consideration. |

GROSS EARNINGS TAXES

(M.S., Section 295)

Tax Base: Gross receipts from operation of certain businesses.

Rates:

| | |
|--------------------|---|
| Boxing Exhibitions | 5% |
| Express Companies | 5% |
| 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. 1979 | \$78,011,000 |
| | F.Y. 1980 | \$67,738,000 |
| | F.Y. 1981 | \$77,609,000 |

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 |
| 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. If more information is desired, contact the Research Office in the Minnesota Department of Revenue.

INSURANCE PREMIUMS TAX

(M.S., Section 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 marshall tax on fire premiums.
- 2% — Surcharge on fire premiums for property located in cities of the first class.

Revenue

| | | |
|--------------|-----------|--------------|
| Collections: | F.Y. 1979 | \$58,164,000 |
| | F.Y. 1980 | \$62,297,000 |
| | F.Y. 1981 | \$62,500,000 |

Disposition: State General Fund

Administration

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

Payment Dates: Most companies make three estimated payments per year on April 15th, June 15th and December 15th.

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 marshall tax of .375% adopted.
- 1934 — 2% surcharge on fire premiums enacted.
- 1937 — Fire marshal tax increased to .5%.
- 1981 — Estimated tax changed from quarterly payments to three payments per year.

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 | 0.75% — 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 casualty and life and domestic fire insurance companies; 2-3/8% on foreign fire insurance; .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, Production and Property (see Local Taxes section) taxes on certain types of minerals. Except for Property Taxes, these taxes are described separately in the sections that follow.

ROYALTY TAXES

(M.S., Section 299)

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

Rates:

| Resources | 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 |
|------|-----------|---|---------------|
| 1979 | \$882,000 | \$4,046,000 | \$21,000 |
| 1980 | \$924,000 | \$5,125,000 | \$35,000 |
| 1981 | \$711,000 | \$4,118,000 | \$33,000 |

Disposition: State General Fund

Administration

Who Pays: Although the recipient of the royalty is subject to the tax, lease terms normally assign this responsibility to the mining company.

Payment Dates: The tax is paid at the time specified in the lease for the royalty payment which historically has been quarterly.

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., Section 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 | Minimum Rate (Less Labor Credit) |
|-------------------------|----------|-------------------------------------|
| Iron Ore | 15.5% | 14.0% (Approx.) |
| Taconite, Semi-taconite | 15.0% | 6.75% |
| Copper-Nickel Ores | 1.0% | 1.0% |

Exemptions:

Iron Ore — Statutory deductions include costs of development, mining labor and supplies, administrative expenses, royalty, depreciation of mine plant and equipment, and ad valorem taxes on ore mined. Non-statutory deductions are the cost of beneficiation, including labor, supplies, depreciation, interest, plus allowances for stockpile loading, transportation and marketing.

Taconite, Semi-Taconite, and Iron Sulphide — Deductions are allowed for processing costs.

Credits:

Iron Ore — A credit is allowed for labor which may reduce the effective tax rate to approximately 14%. Other credits are allowed for research, experimentation and exploration, pollution control, a loss mine, and price discounting.

Taconite, Semi-Taconite — A credit is allowed for labor which can reduce the minimum tax rate to 6.75%. Additional credits are allowed for:

1. Research, experimentation and exploration, and
2. Pollution control equipment.

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

Revenue

Collections:

| F.Y. | Iron Ore | Taconite, Semi-Taconite Iron Sulphides |
|------|-------------|---|
| 1979 | \$4,522,000 | \$25,604,000 |
| 1980 | \$2,702,000 | \$14,539,000 |
| 1981 | \$ 536,000 | \$12,895,000 |

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 maintenance of Iron Range 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%; minimum rate 3.75%.
- 1955 — 15% surtax added.
- 1959 — Additional 1% tax imposed.
- 1963 — A taconite producer's occupation, royalty and excise taxes cannot exceed the greater of what a manufacturing corporation would pay or what the producer would have otherwise paid under the 1963 Occupation, Royalty and Excise Taxes.
- 1971 — Occupation tax on taconite 15%; minimum rate 6.75%. Occupation tax on iron ore 15.5%; minimum rate 14.0%.

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% of market value. |
| | North Dakota Crude Oil | 6½% of market value. |
| | | |

| State | Resource | Rate |
|--------------|------------------------|--|
| South Dakota | Mineral Products | 6% of gross yield from sale of extracted minerals. |
| | Energy Minerals | 4.5% of taxable value. |
| Texas | Natural Gas | 7.5% of market value. |
| | Oil Production | 4.6% of market value. |
| Wisconsin | Metalliferous Minerals | Graduated rates from 3% to 15% on net proceeds. |
| | Iron Ore | 5 cents per ton handled. |
| | Concentrates | |
| | Petroleum Products | 5 cents per ton processed. |

PRODUCTION TAXES

(M.S., Section 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 1981 average rate is \$1.92 per taxable ton.

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

Sintered outside Minnesota — \$.10 per gross ton plus 1/10 of \$.01 per gross ton for each .5% that the iron content exceeds 55%.

Copper-Nickel — Base rate is \$.025 per gross ton plus 10% of the base tax per ton for each 1/10 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. 1979 | \$69,222,000 |
| | F.Y. 1980 | \$88,484,000 |
| | F.Y. 1981 | \$87,185,000 |

Disposition: The Taconite Production Tax base rate of \$1.25 is 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.

- \$1.55 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 (IRRRB).
- \$.002 per ton – Range Association of Municipalities and Schools.

Amount distributed to counties, the taconite homestead credit fund, school fund index amount 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 and the Northeast Economic Protection Fund.

Proceeds of the production tax derived from copper-nickel and 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. 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. |
| North Dakota | Coal | \$.85 per ton plus \$.01 per ton for each 4 point increase in wholesale per price index as adjusted twice per year. |
| Texas | Sulphur | \$1.03 per long ton. |
| | Cement | \$.275 per CWT. |

IN LIEU OF PROPERTY TAXES

MOTOR VEHICLE LICENSE FEES TAX

(M.S., Section 168)

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

Rates:

- Passenger Cars – \$10 plus 1.25 percent of base value based on the age of the vehicle.
- Pickup Trucks – \$10 plus .75 percent of base value based on the age of the vehicle.
- Commercial Vehicles – \$15 for first 1,500 lbs., up to \$1,620 plus \$50 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. 1979 | \$121,622,000 |
| | F.Y. 1980 | \$128,293,000 |
| | F.Y. 1981 | \$140,845,000 |

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.
- 1981 – Increased rates on certain vehicles.

Comparison With Other States

| State | Passenger Cars | Commercial Vehicles |
|--------------|---|--|
| California | \$22 registration fee plus additional \$1 fee plus license fee of 2% of market value. | \$8 first 3,000 lbs. up to \$620 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. |
| Iowa | 1% of value plus 40¢/100 lbs. | \$35 first 6,000 lbs. up to \$695 on 24 tons plus \$35 per ton over 7 tons. |
| 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 \$1,660 for over 160,000 lbs. |
| MINNESOTA | \$10 plus percent of base value based on age of vehicle. | \$15 first 1,500 lbs. up to \$1,620 plus \$50 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 | \$20 — \$225 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 | \$18 | \$24 first 4,500 lbs. up to \$1,602 for up to 80,000 lbs. |

AIRFLIGHT PROPERTY TAX

(M.S., Section 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. 1979 | \$3,420,000 |
| | F.Y. 1980 | \$4,293,000 |
| | F.Y. 1981 | \$4,442,000 |

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 flight property at the average property tax rate statewide.

UNEMPLOYMENT INSURANCE TAX

(M.S., Section 268.05)

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

Rates: The standard rate for new employers is 1.8%. Experience ratings will vary the rate actually paid which can be from 1% to 7.5%.

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 nonprofit organization or church.

Revenue

| | | |
|--------------|-----------|---------------|
| Collections: | F.Y. 1979 | \$206,312,449 |
| | F.Y. 1980 | \$208,296,755 |
| | F.Y. 1981 | \$191,277,604 |

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 having 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 | 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 | | 1.8 | First \$8,000 |
| New York | | 3.7 | First \$6,000 |
| North Dakota | | 5.0 | First \$8,400 |
| South Dakota | | 3.3 | First \$6,000 |
| Texas | | 2.7 | First \$6,000 |
| Wisconsin | | 2.7 | First \$6,000 |

WORKERS COMPENSATION TAX

(M.S., Section 176)

Tax 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. 1979 | \$396,607,161 |
| | C.Y. 1980 | \$424,320,197 |
| | C.Y. 1981 | \$399,917,876 |

*Does not include premium amounts for firms allowed to self insure.

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

PROPERTY TAXES

LOCAL PROPERTY TAX

(M.S., Section 272-279)

Tax Base: Taxable value of non-exempt land, buildings, attached machinery and personal property. Taxable value is a varying percentage of market value for each property classification as shown for taxes payable in 1982.

| 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 \$54,000 of market value. | 14% |
| 2. First \$35,000 of market value for certain blind or disabled persons. | 5% |
| 3. Excess over \$54,000 of market value. | 19% |
| G. Non-Agricultural Homesteads | |
| 1. First \$27,000 of market value. | 16% |
| 2. Second \$27,000 of market value. | 22% |
| 3. First \$35,000 of market value for certain blind or disabled persons. | 5% |
| 4. Next \$19,000 of market value for certain blind or disabled persons. | 22% |
| 5. Excess over \$54,000 of market value. | 28% |
| H. Residential, Non-Homestead of Three or Fewer Units | 28% |
| I. Apartments | |
| 1. Standard (four or more units). | 36% |
| | (34% payable 1983) |
| 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 | |
| 1. First \$50,000 of market value | 40% |
| 2. Excess over \$50,000 of market value | 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 (Assessed at rate provided for applicable real property class). | Varies |
| B. Leased Agricultural on Exempt Land | 21% |
| C. Structures on Leased Public Land in Rural Areas | 21% |
| D. Structures on Leased Public Lands in Urban Areas or on Railroad Right of Way; Leased Non-Agricultural Exempt Land (first \$50,000) | 40% |
| (over \$50,000) | 43% |
| 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; certain senior citizen group property; and shelters for domestic abuse.

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, counties and 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 or town, county, school district and special taxing districts).

The 1981 (payable 1982) average statewide gross tax rate was 92 mills. Application of the Homestead Credit, Agricultural Mill Rate Credit, Reduced Assessment Credit, Wetlands Credit, and Native Prairie Credit results in an average statewide net tax rate of 68 mills (a mill is \$1 for each \$1,000 of taxable value).

Credits: Several forms of tax relief are authorized for property owners. Except for the Property Tax Refund, the state reimburses local governments for the loss of revenue represented by these credits.

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. For farm property, it is limited to the first 240 acres.

2. **Agricultural Mill Rate Credit:** This direct credit is limited to agricultural, non-commercial seasonal recreational residential and timberland property. Credit for agricultural homestead property is equal to the sum of 18 mills times the taxable value of the first 320 acres, 10 mills times the taxable value of the next 320 acres, and 8 mills times the taxable value over 640 acres. Credit for non-homestead agricultural property is the sum of 10 mills times the taxable value of the first 320 acres plus 8 mills times the taxable value over 320 acres. Credit for timberland property equals 8 mills times the taxable value of qualifying property. Credit for non-commercial seasonal recreational residential property equals 10 mills times the assessed value of the 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 \$445, or 57% of gross tax up to a maximum of \$390, depending on the specific taconite tax relief area in which the property is located.
4. **Supplementary Homestead Credit:** This direct credit is limited to homestead property located within an area which was previously defined as a "taconite tax relief area." The credit provisions are the same as the taconite homestead credit provisions.
5. **Reduced Assessment Credit:** Certain multi-unit structures and certain single-family homesteads are granted tax relief in the form of a tax reduction credit. Reduction is limited to structures which provide housing for low income or elderly families and homesteads of certain blind or disabled persons.
6. **Property Tax Refund:** 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. This relief is granted directly to the taxpayer by the state in the form of an additional income tax refund.

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.

7. **Wetlands Credit:** Direct credit is equal to .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

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 |

not to drain the wetland during the year for which credit is received.

8. 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 tax payer. 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.

Revenue

Collections:

| Year Payable | Gross Taxes Levied | Home- stead Credit* | Agri- cultural Mill Rate Credit | Other Credits | Property Tax Refund | Net Taxes Paid |
|--------------|--------------------|---------------------------|---|------------------|---------------------------|----------------------|
| 1979 | \$1,628.3 | \$254.1 | \$41.6 | — | \$190.0 | \$1,142.6 |
| 1980 | 1,758.8 | 371.3 | 52.2 | — | 187.0 | 1,148.3 |
| 1981 | 1,904.1 | 447.2 | 70.5 | 13.9 | 193.7 | 1,178.8 |

*Includes Taconite Homestead Credit.

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 nearly 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.

- 1967 — 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.
 - 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 is 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).

- 1979 - 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).
- 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.
- Title II 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.
- 1981 - Certain property of senior citizen's groups and shelters for domestic abuse exempted.
- Reinstated flexible homestead base adjustment.
- Rental valuation of agricultural land used if less than market value (for taxes payable beginning in 1984).
- Classification ratios for commercial-industrial property and certain apartment buildings reduced.
- Targeting credit (part of property tax refund) modified.
- Agricultural mill rate credit made more progressive.
- Limitation on certain aid and credit entitlements enacted.
- Overall levy limitations law changed.
- 1982 - "Enterprise Zone" classification of property created.
- Reduced assessments for property damaged by a natural disaster enacted with state payments to offset local revenue loss.

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 1980 were used.

| State | Effective Average Property Tax Rate |
|--------------|-------------------------------------|
| California | 0.98% |
| Illinois | 1.50 |
| Iowa | 1.48 |
| Michigan | 2.54 |
| MINNESOTA | 0.93 |
| New York | 2.75 |
| North Dakota | 1.00 |
| South Dakota | 1.70 |
| Texas | 1.57 |
| Wisconsin | 1.67 |

TREE GROWTH TAX

(M.S., Section 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. 1979 | \$228,000 |
| | F.Y. 1980 | \$227,000 |
| | F.Y. 1981 | \$270,000 |

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., Section 88.47)

Tax Base: Any 35 acres or more of land that is suitable for forestations, 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. 1979 | \$17,000 |
| | F.Y. 1980 | \$18,000 |
| | F.Y. 1981 | \$42,000 |

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.
- 1929 — 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., Section 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.

UNMINED TACONITE TAX

(M.S. 298.26)

Tax Base: Inactive taconite reserve lands.

Rates: Maximum of \$10.00 per acre.

Exemption: Lands on which 1,000 tons or more of concentrate is produced are exempt. Also, exemptions are allowed by the county assessor for lands occupied by taconite production facilities.

Revenue

Counties are responsible for collections. The disposition is the same as other local ad valorem taxes.

Administration

The tax is paid to the county auditor by owners of taconite mineral interests or leasee's (usually mining companies). The payment dates are the same as other real estate taxes.

History of Major Changes

- 1941 — Enacted at \$1.00 per acre maximum.
- 1977 — Increased to \$10.00 per acre maximum.

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 | Sales of transient lodging |
| Rochester | |
| St. Cloud | |
| St. Paul | |
| Minneapolis | Admissions, amusements and transient lodging |

Rates:

| | |
|-------------|---|
| Duluth | 1% piggyback, 3% additional on lodging, plus 1% additional on certain food and beverage and lodging establishments. |
| Bloomington | 3% |
| Minneapolis | |
| Rochester | |
| St. Cloud | |
| St. Paul | |

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 3 percent, in the City of Minneapolis.

Revenue

Collections:

F.Y. 1981 (000's)

| | |
|--------------------|---------|
| Duluth | \$4,624 |
| Bloomington | 1,532 |
| Minneapolis | 2,416 |
| Rochester | 741 |
| St. Cloud | 116 |
| St. Paul | 375 |
| Stadium Commission | 3,077 |

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., Sections 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: Varies by city

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., Section 298.75)

Tax Base: Aggregate material removed from gravel pits or deposits.

Rates: \$.10 per cubic yard or \$.07 per ton of aggregate material.

Revenue

Collections: Individual counties collect tax.

Disposition: 60% distributed to county road and bridge fund, 30% to townships and cities for road and bridge purposes, and 10% for restoration of abandoned pits.

Administration

Who Pays: Those removing aggregate material from pits or deposits.

Payment Dates: Quarterly.

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. 1982 legislation enacted uniform rate and proceed disposition provisions and extended the tax to all "aggregate materials".

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.

Over a period of 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 once in March each year, then monthly from July through December of the same year.

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 (including 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

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.

Minnesota Supplemental Aid Program (MSAP) – This program supplements the federal Supplemental Security Income (S.S.I.) program for the aged, blind, or disabled. The majority of funds are state provided, but county funds are also used.

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, SSI or MSAP.

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 for vocational education programs.

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 State funding in F.Y. 1981 for the various aid categories is indicated as follows:

Local Aids

| | |
|--------------------------------------|----------------|
| Local Government Aid | \$ 231,004,886 |
| Homestead Credit Aid | 362,530,328 |
| Taconite Homestead Credit Aid | 13,402,242 |
| Attached Machinery Aid ¹ | 11,490,525 |
| Agricultural Aid to School Districts | 51,108,425 |
| | <hr/> |
| | \$ 618,427,981 |

Shared Taxes

| | |
|-----------------------------|----------------------|
| Estate Tax Aid | \$ 2,828,453 |
| Mortgage Registry Tax Aid | 450,600 ² |
| Taconite Production Tax Aid | 86,641,000 |
| | <hr/> |
| | \$ 89,920,053 |

Welfare Aids

| | |
|--------------------|----------------|
| AFDC | \$ 70,119,347 |
| SSI | 8,644,561 |
| Medical Assistance | 265,362,561 |
| General Assistance | 18,265,637 |
| | <hr/> |
| | \$ 362,392,106 |

Education Aids³

| | |
|-----------------------------|-----------------|
| Foundation Aid ⁴ | \$ 653,840,235 |
| Transportation Aid | 106,149,220 |
| Special Education Aid | 93,037,808 |
| Vocational Aid | 122,630,768 |
| All Other Aids | 30,941,223 |
| | <hr/> |
| | \$1,006,599,254 |

Transportation Aid

| | |
|-----------|----------------|
| County | \$ 116,194,618 |
| Municipal | 38,758,975 |
| | <hr/> |
| | \$ 154,953,593 |

¹Includes School District Attached Machinery Aid.

²Estimated.

³Includes some payments for school year 1979-80 made in F.Y. 1981 and excludes some payments for school year 1980-81 made in F.Y. 1982.

⁴Includes Summer School Aid.

A general comparison of fiscal year 1981 state tax collections and aid expenditures 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 \$3,242.6 Million | |
|--|---|
| Other Taxes \$340.6 Million | |
| Severance and Gross Earnings \$247.3 Million | |
| Highway Gasoline \$230.8 Million | |
| Corporation and Bank Income \$331.7 Million | |
| Sales and Use \$686.5 Million | |
| Individual Income \$1,405.7 Million | |
| | Local Aids \$2,425.7 Million |
| | Transportation Aid \$154.9 Million |
| | Property Tax Refund \$193.7 Million |
| | Welfare Aids \$362.3 Million |
| | Local Aids and Shared Taxes \$708.3 Million |
| | Education Aids \$1,006.5 Million |

Local Aids — $\frac{\$2,425.7 \text{ million}}{\$3,242.6 \text{ million}} = .7481 \text{ Ratio}$
 Net State Tax Collections —

STATE AND LOCAL TAX COLLECTIONS

NET STATE TAX COLLECTIONS

| | F.Y. 1980 Net Collections (000's) | F.Y. 1981 Net Collections (000's) | F.Y. 1981 % of Total |
|----------------------------------|--|--|-------------------------|
| Income Taxes | | | |
| * Individual | \$1,271,810 | \$1,405,792 | 41.38% |
| * Corporation | 345,223 | 296,065 | 8.72 |
| * Bank Excise | 36,093 | 35,655 | 1.05 |
| * Employer's Excise Tax | -298 | -111 | - |
| Estate Taxes | | | |
| * Estate | 1,156 | 7,582 | .22 |
| * Inheritance | 38,810 | 20,585 | .61 |
| * Gift | 1,955 | 557 | .02 |
| Sales and Excise Taxes | | | |
| * General Sales and Use | 657,167 | 686,565 | 20.21 |
| Motor Vehicle Excise | 88,698 | 87,083 | 2.56 |
| * Highway Fuels | 202,789 | 230,857 | 6.80 |
| * Aviation Fuels | 2,106 | 2,014 | .06 |
| * Intoxicating Liquors | 40,537 | 41,194 | 1.21 |
| * Fermented Malt Beverages | 11,135 | 11,811 | .35 |
| * Wine | 2,736 | 2,798 | .08 |
| * Cigarettes | 84,307 | 86,199 | 2.54 |
| * Tobacco Products | 2,240 | 2,430 | .07 |
| * Mortgage Registration | 8,695 | 8,561 | .25 |
| * Deed Transfer | 9,599 | 8,514 | .25 |
| Motor Vehicle Recycling | 889 | 868 | .03 |
| Gross Earnings Taxes | | | |
| * Telephone | 53,568 | 59,684 | 1.76 |
| * Telegraph | 729 | 1,000 | .03 |
| * Railroad, Regular | 8,598 | 12,395 | .36 |
| * Taconite Railroad | 3,634 | 2,985 | .09 |
| * Freight Line Insurance | 1,130 | 1,402 | .04 |
| Premiums | 62,297 | 62,500 | 1.84 |
| State Fire Marshal | 1,045 | 1,162 | .03 |
| Fireman's Relief | | | |
| Sur charge | 642 | 632 | .02 |
| * Rural Electric Cooperatives | 38 | 39 | - |
| * Boxing Exhibitions | 41 | 104 | - |

| | F.Y. 1980 Net Collections (000's) | F.Y. 1981 Net Collections (000's) | F.Y. 1981 % of Total |
|----------------------------------|--|--|-------------------------|
| Minerals Taxes | | | |
| * Taconite | | | |
| Production | \$ 88,484 | \$ 87,185 | 2.57% |
| * Taconite | | | |
| Occupation | 14,539 | 12,895 | .38 |
| * Iron Ore | | | |
| Occupation | 2,702 | 536 | .02 |
| * Taconite Royalty | 5,125 | 4,118 | .12 |
| * Iron Ore Royalty | 924 | 711 | .02 |
| * Miscellaneous Ore | | | |
| Royalties | 35 | 33 | — |
| In Lieu of Property Taxes | | | |
| Motor Vehicle | | | |
| Licenses | 128,293 | 140,845 | 4.15 |
| Aircraft Licenses | 1,455 | 1,447 | .04 |
| * Airflight Property | 4,293 | 4,442 | .13 |
| Licenses and Permits | | | |
| Motor Vehicle | | | |
| Operations | 6,233 | 8,002 | .24 |
| Corporation | | | |
| Filing Fees | 1,401 | 1,547 | .05 |
| Alcoholic | | | |
| Beverages | 330 | 392 | .01 |
| Amusements | | | |
| (Boxing) | — | — | — |
| Hunting and | | | |
| Fishing | 13,416 | 16,111 | .47 |
| Boat and Water | | | |
| Safety | 2,067 | 2,374 | .07 |
| * Cigarette | | | |
| Distributors | 41 | 42 | — |
| * Petroleum | | | |
| Inspection | 837 | 756 | .02 |
| * Petroleum | | | |
| Distribution | 63 | 72 | — |
| Other Occupation | | | |
| and Business | 35,077 | 38,496 | 1.13 |
| Collected by: | | | |
| * Department of | | | |
| Revenue | 2,900,841 | 3,035,467 | 89.36 |
| Other Agencies | 341,843 | 361,463 | 10.64 |
| Total Collections | \$3,242,684 | \$3,396,930 | 100.00% |

LOCAL TAX COLLECTIONS

Fiscal Years Ending June 30, 1980 and June 30, 1981

| | F.Y. 1980 Amount (000's) | F.Y. 1981 Amount (000's) |
|---|--------------------------------|--------------------------------|
| Property Taxes¹ | | |
| Real Property ² | \$1,286,912 | \$1,324,958 |
| Personal Property | 48,426 | 47,563 |
| Special Assessments | 85,185 | 111,263 |
| Mobile Home Property ³ | 5,277 | 3,402 |
| Tree Growth | 227 | 270 |
| Auxiliary Forest ⁵ | 18 | 42 |
| Rural Powerlines | 12,520 | 13,051 |
| Sales Tax | | |
| Bloomington | 1,277 | 1,532 |
| Duluth | 4,583 | 4,624 |
| Minneapolis | 2,326 | 2,416 |
| Rochester | 678 | 741 |
| St. Paul | 331 | 375 |
| St. Cloud | 48 | 116 |
| Stadium Commission | 3,193 | 3,077 |
| Gross Earnings Taxes⁴ | | |
| Minneapolis | 5,380 | 6,167 |
| St. Paul | 12,446 | 13,532 |
| Sand and Gravel Taxes | | |
| Clay | 76 | 60 |
| Norman | 7 | 8 |
| Wilkin | 5 | 6 |
| Kittson | 20 | 17 |
| Becker | 14 | 19 |
| Otter Tail | — | 9 |
| Polk | — | 26 |
| Red Lake | — | 9 |

Footnotes

1. Fiscal year 1980 property taxes were levied in calendar year 1979 and were payable in calendar year 1980. Fiscal year 1981 property taxes were levied in calendar year 1980 and were payable in calendar year 1981. Taxes on mobile homes are levied and payable in the same year.

F.Y. 1980
(000's) F.Y. 1981
(000's)

2. After Credit

| | | |
|--|-----------|-----------|
| Regular Homestead Credit | \$358,307 | \$432,835 |
| Taconite Homestead Credit | 13,006 | 13,415 |
| Agricultural Credit | 52,187 | 70,456 |
| Wetlands Credit | — | 2,307 |
| Native Prairie Credit | — | 83 |
| Reduced Assessment Credit | — | 11,537 |
| Taconite Aid Reimbursement | — | 561 |
| Supplemental Taconite Homestead Credit | — | 422 |

Regular Homestead Credit includes tax increment financing. The above credit amounts do not include prior year adjustments.

F.Y. 1980
(000's) F.Y. 1981
(000's)

3. After Credit

| | | |
|--|----------|----------|
| Regular Homestead Credit | \$ 3,257 | \$ 3,137 |
| Taconite Homestead Credit | 325 | 195 |
| Supplemental Taconite Homestead Credit | — | 7 |
| Agricultural Credit | — | 44 |
| Reduced Assessment Credit | — | 7 |

4. Fiscal year 1980 collections are as of calendar year ending 12-31-79. Fiscal year 1981 collections are as of calendar year ending 12-31-80.

5. Fiscal year 1980 collections are as of calendar year ending 12-31-80. Fiscal year 1981 collections are as of calendar year ending 12-31-81, and include tax on merchantable timber.

STATE TAX RANKINGS

Per Capita Personal Income
Calendar Year 1980

| | |
|--------------------|----------|
| 1. Alaska | \$12,790 |
| 2. D.C. | 12,039 |
| 3. Connecticut | 11,720 |
| 4. California | 10,938 |
| 5. New Jersey | 10,924 |
| 6. Wyoming | 10,898 |
| 7. Nevada | 10,727 |
| 8. Illinois | 10,521 |
| 9. Maryland | 10,460 |
| 10. Delaware | 10,339 |
| 11. Washington | 10,309 |
| 12. New York | 10,260 |
| 13. Massachusetts | 10,125 |
| 14. Hawaii | 10,101 |
| 15. Colorado | 10,025 |
| 16. Kansas | 9,983 |
| 17. Michigan | 9,950 |
| 18. Minnesota | 9,724 |
| 19. Texas | 9,545 |
| 20. Ohio | 9,462 |
| 21. Rhode Island | 9,444 |
| 22. Pennsylvania | 9,434 |
| 23. Virginia | 9,392 |
| 24. Nebraska | 9,365 |
| 25. Iowa | 9,358 |
| 26. Wisconsin | 9,348 |
| 27. Oregon | 9,317 |
| 28. New Hampshire | 9,131 |
| 29. Oklahoma | 9,116 |
| 30. Florida | 8,996 |
| 31. Missouri | 8,982 |
| 32. Indiana | 8,936 |
| 33. Arizona | 8,791 |
| 34. North Dakota | 8,747 |
| 35. Montana | 8,536 |
| 36. Louisiana | 8,458 |
| 37. Georgia | 8,073 |
| 38. Idaho | 8,056 |
| 39. Maine | 7,925 |
| 40. New Mexico | 7,841 |
| 41. Vermont | 7,827 |
| 42. North Carolina | 7,819 |
| 43. South Dakota | 7,806 |
| 44. West Virginia | 7,800 |
| 45. Tennessee | 7,720 |
| 46. Utah | 7,649 |
| 47. Kentucky | 7,613 |
| 48. Alabama | 7,488 |
| 49. Arkansas | 7,268 |
| 50. South Carolina | 7,266 |
| 51. Mississippi | 6,580 |
| U.S. AVERAGE | \$ 9,521 |

| | | |
|---------------|---------|------|
| — Minnesota — | Amount | Rank |
| 1975 | \$5,882 | 21 |
| 1976 | 6,323 | 20 |
| 1977 | 7,168 | 16 |
| 1978 | 7,932 | 19 |
| 1979 | 8,927 | 18 |

PERCENTAGE OF PERSONAL INCOME REMAINING AFTER STATE AND LOCAL TAXES

| | |
|--------------------|-------|
| 1. New Hampshire | 91.90 |
| 2. Indiana | 91.68 |
| 3. Florida | 91.58 |
| 4. Texas | 91.56 |
| 5. Missouri | 91.54 |
| 6. Tennessee | 91.50 |
| 7. Ohio | 91.44 |
| 8. Alabama | 91.32 |
| 9. Arkansas | 91.00 |
| 10. Nevada | 90.94 |
| 11. Oklahoma | 90.93 |
| 12. Virginia | 90.89 |
| 13. Connecticut | 90.87 |
| 14. Kansas | 90.72 |
| 15. Idaho | 90.64 |
| 16. Georgia | 90.46 |
| 17. North Carolina | 90.43 |
| 18. Washington | 90.41 |
| 19. North Dakota | 90.32 |
| 20. Kentucky | 90.28 |
| 21. South Carolina | 90.25 |
| 22. Mississippi | 90.18 |
| 23. Colorado | 90.13 |
| 24. Louisiana | 90.06 |
| 25. South Dakota | 89.90 |
| 26. West Virginia | 89.80 |
| 27. Delaware | 89.76 |
| 28. Nebraska | 89.71 |
| 29. Illinois | 89.70 |
| 30. Iowa | 89.66 |
| 31. Pennsylvania | 89.63 |
| 32. New Jersey | 89.59 |
| 33. Oregon | 89.50 |
| 34. Rhode Island | 89.49 |
| 35. Maryland | 89.44 |
| 36. California | 89.28 |
| 37. Michigan | 89.19 |
| 38. Maine | 89.17 |
| 39. Utah | 89.02 |
| 40. New Mexico | 88.79 |
| 41. Wisconsin | 88.65 |
| 42. Arizona | 88.54 |
| 43. Vermont | 88.50 |
| 44. Minnesota | 88.43 |
| 45. Montana | 88.29 |
| 46. D.C. | 87.75 |
| 47. Massachusetts | 87.72 |
| 48. Hawaii | 87.35 |
| 49. Wyoming | 87.16 |
| 50. New York | 85.43 |
| 51. Alaska | 67.25 |

| - Minnesota - | Percent | Rank |
|---------------|---------|------|
| 1975 | 87.01 | 47 |
| 1976 | 86.69 | 46 |
| 1977 | 87.29 | 45 |
| 1978 | 87.34 | 44 |
| 1979 | 87.63 | 45 |

STATE AND LOCAL TAX COLLECTIONS

Per Capita - Fiscal Year 1980

| | |
|--------------------|------------|
| 1. Alaska | \$4,188.68 |
| 2. New York | 1,494.87 |
| 3. D.C. | 1,474.71 |
| 4. Wyoming | 1,399.36 |
| 5. Hawaii | 1,277.52 |
| 6. Massachusetts | 1,243.37 |
| 7. California | 1,172.23 |
| 8. New Jersey | 1,137.49 |
| 9. Minnesota | 1,124.73 |
| 10. Maryland | 1,104.23 |
| 11. Illinois | 1,083.83 |
| 12. Michigan | 1,075.44 |
| 13. Connecticut | 1,070.27 |
| 14. Wisconsin | 1,061.40 |
| 15. Delaware | 1,058.67 |
| 16. Arizona | 1,007.42 |
| 17. Montana | 999.69 |
| 18. Rhode Island | 992.46 |
| 19. Colorado | 989.70 |
| 20. Washington | 988.85 |
| 21. Oregon | 978.54 |
| 22. Pennsylvania | 978.00 |
| 23. Nevada | 972.17 |
| 24. Iowa | 967.24 |
| 25. Nebraska | 963.25 |
| 26. Kansas | 926.12 |
| 27. Vermont | 900.02 |
| 28. New Mexico | 879.24 |
| 29. Maine | 858.26 |
| 30. Virginia | 855.61 |
| 31. North Dakota | 846.81 |
| 32. Louisiana | 840.62 |
| 33. Utah | 839.71 |
| 34. Oklahoma | 826.66 |
| 35. Ohio | 810.20 |
| 36. Texas | 805.90 |
| 37. West Virginia | 795.75 |
| 38. South Dakota | 788.55 |
| 39. Georgia | 769.94 |
| 40. Missouri | 759.46 |
| 41. Florida | 757.86 |
| 42. Idaho | 754.28 |
| 43. North Carolina | 748.25 |
| 44. Indiana | 743.73 |
| 45. Kentucky | 740.06 |
| 46. New Hampshire | 739.98 |
| 47. South Carolina | 708.27 |
| 48. Tennessee | 656.12 |
| 49. Arkansas | 654.38 |
| 50. Alabama | 649.96 |
| 51. Mississippi | 646.42 |

| U.S. AVERAGE | \$ | 986.57 |
|---------------|-----------|--------|
| - Minnesota - | Amount | Rank |
| 1975 | \$ 754.31 | 8 |
| 1976 | 822.68 | 8 |
| 1977 | 906.10 | 9 |
| 1978 | 1,001.38 | 9 |
| 1979 | 1,096.29 | 8 |

STATE AND LOCAL PROPERTY TAX COLLECTIONS

Per Capita — Fiscal Year 1980

| | |
|---------------------|-----------------|
| 1. Alaska | \$900.01 |
| 2. Massachusetts | 554.91 |
| 3. Wyoming | 551.70 |
| 4. New York | 500.72 |
| 5. New Jersey | 498.73 |
| 6. Connecticut | 473.14 |
| 7. Montana | 455.27 |
| 8. New Hampshire | 450.63 |
| 9. Michigan | 413.97 |
| 10. Rhode Island | 413.42 |
| 11. Nebraska | 400.66 |
| 12. Oregon | 382.11 |
| 13. Vermont | 376.71 |
| 14. Illinois | 367.10 |
| 15. Kansas | 365.53 |
| 16. Wisconsin | 360.53 |
| 17. Iowa | 359.87 |
| 18. Arizona | 351.72 |
| 19. South Dakota | 350.74 |
| 20. D.C. | 343.88 |
| 21. Colorado | 329.38 |
| 22. Minnesota | 324.19 |
| 23. Maine | 319.47 |
| 24. Washington | 290.43 |
| 25. Maryland | 288.36 |
| 26. Ohio | 281.03 |
| 27. Texas | 279.70 |
| 28. California | 273.67 |
| 29. North Dakota | 268.93 |
| 30. Nevada | 255.89 |
| 31. Pennsylvania | 249.25 |
| 32. Indiana | 245.69 |
| 33. Virginia | 235.71 |
| 34. Utah | 234.63 |
| 35. Idaho | 226.51 |
| 36. Florida | 224.27 |
| 37. Missouri | 215.19 |
| 38. Georgia | 198.94 |
| 39. Hawaii | 192.96 |
| 40. North Carolina | 170.69 |
| 41. Delaware | 167.36 |
| 42. South Carolina | 159.55 |
| 43. Tennessee | 157.55 |
| 44. Oklahoma | 151.41 |
| 45. New Mexico | 142.16 |
| 46. Mississippi | 140.54 |
| 47. West Virginia | 136.80 |
| 48. Kentucky | 135.46 |
| 49. Arkansas | 133.56 |
| 50. Louisiana | 110.92 |
| 51. Alabama | 78.65 |
| U.S. AVERAGE | \$302.42 |

| | | |
|----------------------|---------------|-------------|
| — Minnesota — | Amount | Rank |
| 1975 | \$321.18 | 22 |
| 1976 | 254.20 | 24 |
| 1977 | 271.02 | 23 |
| 1978 | 300.85 | 23 |
| 1979 | 311.10 | 23 |

STATE INDIVIDUAL INCOME TAX COLLECTIONS

Per Capita — Fiscal Year 1980

| | |
|--------------------|----------|
| 1. Delaware | \$396.24 |
| 2. Oregon | 329.65 |
| 3. New York | 329.22 |
| 4. Massachusetts | 324.22 |
| 5. Hawaii | 322.70 |
| 6. Minnesota | 309.71 |
| 7. Wisconsin | 304.03 |
| 8. California | 273.09 |
| 9. Maryland | 260.20 |
| 10. Alaska | 251.20 |
| 11. Michigan | 207.02 |
| 12. Iowa | 206.79 |
| 13. Virginia | 206.32 |
| 14. North Carolina | 200.97 |
| 15. Utah | 181.61 |
| 16. Montana | 171.55 |
| 17. Idaho | 168.58 |
| 18. Illinois | 166.46 |
| 19. Vermont | 162.78 |
| 20. Rhode Island | 162.53 |
| 21. Colorado | 159.68 |
| 22. Georgia | 159.60 |
| 23. South Carolina | 158.64 |
| 24. Nebraska | 150.20 |
| 25. Kansas | 142.22 |
| 26. Pennsylvania | 140.88 |
| 27. Arkansas | 138.58 |
| 28. Kentucky | 138.17 |
| 29. New Jersey | 136.45 |
| 30. West Virginia | 129.42 |
| 31. Maine | 126.83 |
| 32. Missouri | 122.70 |
| 33. Oklahoma | 119.63 |
| 34. Arizona | 105.78 |
| 35. Alabama | 101.95 |
| 36. Indiana | 101.40 |
| 37. Ohio | 96.30 |
| 38. North Dakota | 81.69 |
| 39. Mississippi | 59.62 |
| 40. Louisiana | 58.86 |
| 41. New Mexico | 36.04 |
| 42. Connecticut | 32.48 |
| 43. New Hampshire | 11.37 |
| 44. Tennessee | 6.71 |

U.S. AVERAGE*

\$189.41

*Based on a 44 state average

| | | |
|----------------------|---------------|-------------|
| — Minnesota — | Amount | Rank |
| 1975 | \$205.58 | 3 |
| 1976 | 214.25 | 4 |
| 1977 | 240.74 | 5 |
| 1978 | 268.10 | 5 |
| 1979 | 309.36 | 3 |

STATE SALES TAX COLLECTIONS

Per Capita — Fiscal Year 1980

| | |
|----------------------|-----------------|
| 1. Hawaii | \$516.37 |
| 2. Washington | 393.46 |
| 3. Wyoming | 346.36 |
| 4. New Mexico | 309.93 |
| 5. West Virginia | 306.93 |
| 6. Arizona | 299.70 |
| 7. California | 282.87 |
| 8. Mississippi | 266.20 |
| 9. Connecticut | 258.35 |
| 10. Indiana | 242.55 |
| 11. Florida | 231.22 |
| 12. Nevada | 228.94 |
| 13. Utah | 222.28 |
| 14. Tennessee | 213.95 |
| 15. South Dakota | 213.29 |
| 16. Illinois | 208.37 |
| 17. Maine | 190.32 |
| 18. North Dakota | 189.91 |
| 19. Colorado | 186.01 |
| 20. South Carolina | 184.83 |
| 21. Michigan | 184.35 |
| 22. Wisconsin | 181.48 |
| 23. Rhode Island | 178.52 |
| 24. Texas | 178.30 |
| 25. Kansas | 177.06 |
| 26. Nebraska | 176.44 |
| 27. Louisiana | 175.87 |
| 28. Iowa | 172.35 |
| 29. Georgia | 170.57 |
| 30. Maryland | 169.07 |
| 31. Pennsylvania | 168.18 |
| 32. Kentucky | 165.97 |
| 33. Arkansas | 162.72 |
| 34. New York | 162.04 |
| 35. Missouri | 161.13 |
| 36. New Jersey | 160.28 |
| 37. Minnesota | 159.46 |
| 38. Alabama | 148.35 |
| 39. Idaho | 145.25 |
| 40. Ohio | 133.91 |
| 41. Massachusetts | 130.03 |
| 42. North Carolina | 118.07 |
| 43. Virginia | 111.31 |
| 44. Oklahoma | 104.98 |
| 45. Vermont | 79.91 |
| U.S. AVERAGE* | \$195.75 |

*Based on a 45 state average

| — Minnesota — | Amount | Rank |
|---------------|----------|------|
| 1975 | \$ 97.91 | 35 |
| 1976 | 107.58 | 36 |
| 1977 | 117.40 | 38 |
| 1978 | 134.10 | 37 |
| 1979 | 149.75 | 35 |

CORPORATE INCOME TAX COLLECTIONS

Per Capita — Fiscal Year 1980

| | |
|----------------------|-----------------|
| 1. Alaska | \$1,413.32 |
| 2. California | 105.93 |
| 3. Michigan | 98.37 |
| 4. Minnesota | 93.50 |
| 5. Massachusetts | 92.80 |
| 6. Connecticut | 79.20 |
| 7. Pennsylvania | 72.61 |
| 8. New York | 70.36 |
| 9. Illinois | 69.88 |
| 10. New Hampshire | 68.17 |
| 11. Delaware | 68.16 |
| 12. New Jersey | 67.52 |
| 13. Oregon | 67.39 |
| 14. Wisconsin | 66.17 |
| 15. Kansas | 63.27 |
| 16. Louisiana | 59.31 |
| 17. Montana | 57.97 |
| 18. Rhode Island | 56.62 |
| 19. North Dakota | 55.66 |
| 20. Hawaii | 52.08 |
| 21. North Carolina | 49.67 |
| 22. South Carolina | 49.21 |
| 23. Ohio | 47.92 |
| 24. Iowa | 47.57 |
| 25. Idaho | 45.13 |
| 26. Vermont | 43.88 |
| 27. Georgia | 43.87 |
| 28. Kentucky | 43.39 |
| 29. Arizona | 43.33 |
| 30. Tennessee | 43.18 |
| 31. Maine | 40.08 |
| 32. Maryland | 39.34 |
| 33. Colorado | 38.29 |
| 34. Florida | 38.13 |
| 35. Nebraska | 36.67 |
| 36. Arkansas | 36.64 |
| 37. Virginia | 36.26 |
| 38. New Mexico | 35.59 |
| 39. Indiana | 32.64 |
| 40. Oklahoma | 29.71 |
| 41. Alabama | 28.08 |
| 42. Utah | 27.64 |
| 43. Missouri | 27.48 |
| 44. Mississippi | 25.53 |
| 45. West Virginia | 16.87 |
| 46. South Dakota | 4.77 |
| U.S. AVERAGE* | \$ 64.59 |

*Based on a 46 state average

| — Minnesota — | Amount | Rank |
|---------------|---------|------|
| 1975 | \$49.90 | 4 |
| 1976 | 49.54 | 6 |
| 1977 | 64.93 | 6 |
| 1978 | 73.07 | 5 |
| 1979 | 87.87 | 4 |

PER CAPITA STATE AND LOCAL EXPENDITURES

Minnesota and U.S. Average – Fiscal Year 1980

Direct, General Expenditures

– Including Capital Outlay –

| | MN Per Capita | U.S. Per Capita |
|--------------------------|------------------|--------------------|
| Education | | |
| Local Schools | \$ 460.40 | \$ 410.28 |
| Higher Education | 168.82 | 149.75 |
| Other Education | 22.94 | 28.09 |
| Total Education | 652.16 | 588.12 |
| Veterans | .27 | .27 |
| Libraries | 10.06 | 7.48 |
| Welfare | 254.00 | 201.11 |
| Health and Hospital | 157.09 | 142.04 |
| Highways | 218.87 | 147.07 |
| Airports | 12.51 | 11.04 |
| Police | 48.90 | 59.57 |
| Fire | 17.09 | 25.25 |
| Corrections | 27.01 | 28.47 |
| Sewerage | 52.76 | 43.67 |
| Housing/Renewal | 38.10 | 26.76 |
| Natural Resources/Parks | 84.50 | 53.11 |
| Financial Administration | 38.04 | 29.66 |
| General Control | 42.15 | 38.40 |
| Public Building | 13.72 | 13.32 |
| Interest/Debt | 78.07 | 65.11 |
| All Other | 149.13 | 141.34 |
| Totals | \$1,894.42 | \$1,621.77 |

| | MN Per Capita Rank | MN As Pct. of U.S. |
|--------------------------|--------------------------|--------------------------|
| Education | | |
| Local Schools | 14 | 112 |
| Higher Education | 22 | 113 |
| Other Education | 29 | 82 |
| Total Education | 16 | 111 |
| Veterans | 19 | 100 |
| Libraries | 9 | 134 |
| Welfare | 9 | 126 |
| Health and Hospital | 13 | 111 |
| Highways | 12 | 149 |
| Airports | 18 | 113 |
| Police | 28 | 82 |
| Fire | 36 | 68 |
| Corrections | 20 | 95 |
| Sewerage | 11 | 121 |
| Housing/Renewal | 9 | 142 |
| Natural Resources/Parks | 8 | 159 |
| Financial Administration | 10 | 128 |
| General Control | 18 | 110 |
| Public Building | 23 | 103 |
| Interest/Debt | 15 | 120 |
| All Other | 16 | 106 |
| Rank/Percent | 7 | 117 |

Sources: All ranking data is derived from Governmental Finances in 1979-1980, State Government Finances in 1979-80, U.S. Department of Commerce, Bureau of the Census, and "Survey of Current Business", U.S. Department of Commerce, Bureau of Economic Analysis.

ADDENDUM TO 1982 MINNESOTA TAX HANDBOOK

This addendum provides a brief summary of major tax law changes enacted since publication in August, 1982 of the *Minnesota Tax Handbook* (red pocketbook). It includes tax changes made during the Third Special Session of the 1982 Legislature and the 1983 Regular Session. Also included are various tables showing updated tax rates, classifications, and collection amounts. Page numbers are listed to provide an easy reference to the handbook.

The tax handbook will be published regularly every two years, so this supplement is intended to cover interim year changes.

History of Major Changes:

Individual Income Tax (p. 5)

- 1982 — Third Special Session:
 - Temporary surtax increased to 10%.
- 1983 — Temporary surtax of 10% extended. Indexing to be suspended in event of negative ending fund balance. Updated various itemized deductions to federal treatment. Repealed subtraction for investment tax credit. Adopted full ACRS deduction for individual taxpayers. Dependent care credit amounts increased. Pollution control credits repealed. Equity investment credit enacted.

Corporate Income Tax (p. 9)

- 1983 — Pollution control credits repealed. Eliminated deduction for corporate income taxes paid to other states. Technology transfer credit enacted. Small business assistance office credit enacted. Equity investment credit enacted. Multi-state tax compact adopted. Credits for "enterprise zone" businesses enacted.

Sales and Use Tax (p. 14)

- 1982 — Third Special Session:
 - Temporarily increased rate to 6%.
- 1983 — Rate permanently changed to 6 percent. Additional tax on on-sale liquor reduced to 2.5% and off-sale liquor subject to additional tax. Paper and ink products used to produce publications exempted. Over-the-counter magazine sales made taxable. Enacted exemption for construction materials and equipment used in "enterprise zones." Exempted construction materials and property of direct satellite broadcasting facilities and distilleries from tax.

Motor Vehicle Excise Tax (p. 15)

- 1982 — Third Special Session:
 - Rate temporarily increased to 5%.
- 1983 — Rate permanently changed to 6%. "Purchase price" excludes any federal taxes.

Mortgage Registry Tax (p. 22)

- 1983 — Contracts for deed not subject to tax.

Workers Compensation Tax (p. 35)

- 1983 — Established a state competitive fund and provided a major revamping of the administrative system and the permanent partial benefit schedule.

Hazardous Waste Tax

- 1983 — Imposed tax on generators of hazardous wastes at rates from \$8-\$32 per cubic yard or 8¢ to 32¢ per gallon depending on method of disposal.

Local Property Tax (p. 42)

- 1983 — Homestead credit percentage reduced to 54%. Classification ratios for homestead property and certain apartments changed. Agricultural property tax credit changed. Classification ratio on commercial industrial property reduced. Payment dates moved up 15 days. Additional classification ratios for "enterprise zone" property created and state paid credit for "enterprise zone" businesses enacted. Provided exemption for direct satellite broadcasting facilities. Enacted a new property tax refund formula with new maximums. Targeting refund program amended and additional targeting refund enacted. Attached machinery aid for cities and towns eliminated. Reduced assessment aid repealed.

Local Sales Taxes (p. 47)

- 1983 — Authorized any city to impose a lodging tax of up to 3% for tourism promotion. Rochester is authorized to impose a "piggyback" sales tax of up to 1% and a motor vehicle excise tax of up to \$20 per car.

Sand and Gravel Occupation Tax (p. 49)

- 1983 — Extends tax on aggregate materials to importers as well as operators. Specifies 26 counties subject to tax.

**Tax Year 1982
Individual Income Tax
Rate Schedule (p. 1)**

| Minnesota | | |
|------------------------|--|----------------|
| Taxable Income* | | Rates** |
| \$ 0 — \$ 667 | | 1.6% |
| 668 — 1,334 | | 2.2 |
| 1,335 — 2,666 | | 3.5 |
| 2,667 — 3,998 | | 5.8 |
| 3,999 — 5,330 | | 7.3 |
| 5,331 — 6,662 | | 8.8 |
| 6,663 — 9,326 | | 10.2 |
| 9,327 — 11,990 | | 11.5 |
| 11,991 — 16,652 | | 12.8 |
| 16,653 — 26,642 | | 14.0 |
| 26,643 — 36,632 | | 15.0 |
| 36,633 — and over | | 16.0 |

*For 1983, brackets will be indexed by the lesser of 100% of the annual increase in the Minneapolis-St. Paul All-Urban Consumer Price Index or 100% of the annual increase in average Minnesota gross income. For 1982, taxable income amounts are increased by a factor of 1.006 to compute the tax base. The taxable net income adjustment factor is used to adjust for the elasticity of federal income tax liability.

**Additional 7% income tax surcharge imposed for 1982 and 10% surtax imposed for 1983.

**Local Property Tax
Classification Schedule
Taxes Payable in 1984 (p. 36)**

| 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 \$30,000 of market value for certain blind or disabled persons. | 5% |
| 2. First \$60,000 of market value. | 14% |
| 3. Excess over \$60,000 of market value. | 19% |
| G. Non-Agricultural Homesteads | |
| 1. First \$30,000 of market value. | 17% |
| 2. First \$30,000 of market value for certain blind or disabled persons. | 5% |
| 3. Second \$30,000 of market value (all). | 19% |
| 4. Excess over \$60,000 of market value. | 30% |
| H. Residential, Non-Homestead of Three or Fewer Units | 28% |
| I. Apartments | |
| 1. Standard (four or more units). | 34% |
| 2. Type I and II (five and more stories). | 25% |

| Type of Property | Classification Percentage |
|---|---------------------------|
| 3. Farmers Home Administration (in cities or towns of under 10,000 population) buildings only. | 5% |
| 4. Title II (elderly and low income housing) buildings only. | 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 | |
| 1. First \$50,000 of market value. | 34% |
| 2. Excess over \$50,000 of market value. | 43% |
| N. Seasonal Recreational Commercial (12% in certain cases if property includes homestead of the owner). | 21% |
| II. Personal Property | |
| A. Mobile Homes (Assessed at rate provided for applicable real property class). | Varies |
| B. Leased Agricultural on Exempt Land | 21% |
| C. Structures on Leased Public Land in Rural Areas | 21% |
| D. Structures on Leased Public Lands in Urban Areas or on Railroad Right of Way; Leased Non-Agricultural Exempt Land (first \$50,000) | 34% |
| (over \$50,000) | 43% |
| 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% |

**Applicable Percentages and
Maximum Property Tax Refund Amounts* (p. 39)**

| Size of Combined Household Income | Percent of Income Which Property Taxes Must Exceed in Order to Qualify for a Refund | First Step Maximum Refund Amount | Percent of Remaining Property Taxes Which State Will Pay | | Overall Maximum Refund Amount |
|--------------------------------------|--|--|---|-------------------------------------|----------------------------------|
| | | | Non-Senior, Non-Disabled Claimants | Senior and Disabled Claimants | |
| Less than \$1 | 0% | \$13 | 95% | 95% | \$1,125 |
| \$ 1 to 4,999 | 0.5% to 0.7% | \$13 to \$23 | 95% to 91% | 95% | \$1,125 |
| 5,000 to 9,999 | 0.8% to 1.2% | \$40 to \$108 | 90% to 86% | 95% | \$1,125 |
| 10,000 to 14,999 | 1.3% to 1.5% | \$130 to \$210 | 85% to 81% | 94% to 90% | \$1,125 |
| 15,000 to 19,999 | 1.5% | \$225 to \$285 | 80% to 76% | 90% to 88% | \$1,125 |
| 20,000 to 24,999 | 1.6% to 1.8% | \$320 to \$432 | 75% to 67% | 87% to 76% | \$1,125 to \$1,105 |
| 25,000 to 29,999 | 1.8% to 2.0% | \$450 to \$580 | 65% to 53% | 73% to 55% | \$1,080 to \$ 960 |
| 30,000 to 33,999 | 2.0% to 2.2% | \$600 to \$700 | 50% | 50% | \$ 930 to \$ 700 |
| 34,000 to 39,999 | 2.2% to 2.4% | \$600 to \$100 | 50% | 50% | \$ 600 to \$ 100 |
| 40,000 and over | — | \$0 | — | — | \$0 |

*Subsequent to 1983 Laws (affects tax year 1983).

MINNESOTA STATE TAX COLLECTIONS
FISCAL YEAR ENDING JUNE 30, 1982 (p. 55)

| | Fiscal Year 1982 | | | |
|------------------------------------|-------------------------|----------------|---------------|-----------------|
| | Gross | Refund | Net | Net % |
| | (000's) | (000's) | Amount | of Total |
| Income Taxes | | | | |
| *Individual | \$2,002,109 | \$442,791 | \$1,559,318 | 40.93% |
| *Corporation | 359,133 | 63,676 | 295,457 | 7.76 |
| *Bank Excise | 37,025 | 7,307 | 29,718 | .78 |
| Estate Taxes | | | | |
| *Estate | 17,888 | 175 | 17,713 | .47 |
| *Inheritance | 6,046 | 443 | 5,603 | .15 |
| *Gift | 1,115 | 38 | 1,077 | .03 |
| Sales and Excise Taxes | | | | |
| *General Sales and Use | 879,087 | 3,220 | 875,867 | 22.99 |
| Motor Vehicle Excise | 103,767 | 0 | 103,767 | 2.72 |
| *Highway Gasoline | 277,469 | 20,078 | 257,391 | 6.76 |
| *Aviation Gasoline | 3,025 | 1,065 | 1,960 | .05 |
| *Intoxicating Liquor | 40,898 | 0 | 40,898 | 1.07 |
| *Fermented Malt | | | | |
| Beverages | 11,595 | 0 | 11,595 | .30 |
| *Wine | 2,972 | 0 | 2,972 | .08 |
| *Cigarette | 86,288 | 0 | 86,288 | 2.26 |
| *Tobacco Products | 2,671 | 1 | 2,670 | .07 |
| *Mortgage Registration | 10,448 | 0 | 10,448 | .27 |
| *Deed Transfer | 7,515 | 7 | 7,508 | .20 |
| Motor Vehicle | | | | |
| Recycling | 331 | 0 | 331 | .01 |
| Gross Earnings Taxes | | | | |
| *Telephone | 66,509 | 0 | 66,509 | 1.75 |
| *Telegraph | 1,484 | 0 | 1,484 | .04 |
| *Railroad, Regular | 238 | 202 | 36 | — |
| *Railroad, Taconite | 4,961 | 0 | 4,961 | .13 |
| *Freight Line | 494 | 0 | 494 | .01 |
| Insurance Premiums | 74,159 | 496 | 73,663 | 1.93 |
| State Fire Marshall | 1,419 | 0 | 1,419 | .04 |
| Firemen's Relief | | | | |
| Surcharge | 694 | 0 | 694 | .02 |
| *Rural Electric | | | | |
| Cooperatives | 40 | 0 | 40 | — |
| *Boxing Exhibition | 31 | 0 | 31 | — |
| Severance and Tonnage Taxes | | | | |
| *Taconite Production Tax | 99,019 | 0 | 99,019 | 2.60 |
| *Occupation Tax on | | | | |
| Taconite | 12,112 | 0 | 12,112 | .32 |
| *Occupation Tax on | | | | |
| Iron Ore | 1,444 | 0 | 1,444 | .04 |
| *Royalty Tax on Taconite | 5,529 | 0 | 5,529 | .15 |
| *Royalty Tax on | | | | |
| Iron Ore | 464 | 0 | 464 | .01 |
| *Royalty Tax on | | | | |
| Misc. Ores | 42 | 0 | 42 | — |

Fiscal Year 1982

| | Gross (000's) | Refund (000's) | Net Amount (000's) | Net % of Total |
|---|--------------------|-------------------|--------------------------|-------------------|
| In Lieu of Property Taxes | | | | |
| Motor Vehicle Licenses | 153,747 | 858 | 152,889 | 4.01 |
| Aircraft Licenses | 1,186 | 0 | 1,186 | .03 |
| *Airlight Property | 3,873 | 0 | 3,873 | .10 |
| Licenses and Permits | | | | |
| Motor Vehicle | | | | |
| Operators | 11,527 | 0 | 11,527 | .30 |
| Corporation Filing Fees | 1,749 | 0 | 1,749 | .05 |
| Alcoholic Beverages | 496 | 0 | 496 | .01 |
| Amusements (Boxing) | — | 0 | — | — |
| Hunting and Fishing | 16,819 | 0 | 16,819 | .44 |
| Boat and Water Safety and Snowmobile | 3,305 | 0 | 3,305 | .09 |
| *Cigarette Distributors | 39 | 0 | 39 | — |
| *Petroleum Inspection | 737 | 0 | 737 | .02 |
| *Petroleum Distribution | 88 | 0 | 88 | — |
| Occupation & Business | | | | |
| Licenses & Permits | | | | |
| Not Classified | | | | |
| Elsewhere | 38,465 | 0 | 38,465 | 1.01 |
| Subtotals | | | | |
| *Collected by Department of Revenue | \$3,942,388 | \$539,003 | \$3,403,385 | 89.33% |
| Collected by Other Agencies | \$ 407,664 | \$ 1,354 | \$ 406,310 | 10.67% |
| GRAND TOTAL | \$4,350,052 | \$540,357 | \$3,809,695 | 100.00% |

*Collected by Department of Revenue.

— Amounts less than \$500 or percentage less than .005%.

MINNESOTA LOCAL TAX COLLECTIONS FISCAL YEAR JUNE 30, 1982 (p. 57)

Fiscal Year 1982

| | Amount (000's) | % of Distribution |
|-----------------------------------|-------------------|----------------------|
| Property Taxes¹ | | |
| Real Property ² | \$1,644,145 | 87.65% |
| Personal Property | 61,222 | 3.26 |
| Special Assessments | 125,290 | 6.68 |
| Mobile Home Property ³ | 4,113 (E) | .22 |
| Tree Growth ⁴ | 272 | .01 |
| Auxiliary Forest ⁴ | 55 | * |
| Rural Powerlines | 5,450 | .29 |
| Sales Tax | | |
| Bloomington | 1,715 | .09 |
| Duluth — 1% | 3,649 | .19 |
| Duluth — 2% | 1,016 | .05 |
| Minneapolis | 2,319 | .12 |
| Rochester | 791 | .04 |
| St. Cloud | 143 | .01 |
| St. Paul | 427 | .02 |
| Stadium Commission | 3,348 | .18 |

Fiscal Year 1982

| | Amount (000's) | % of Distribution |
|-----------------------------------|---------------------------|------------------------------|
| Franchise Fees⁵ | | |
| Minneapolis | 7,080 | .38 |
| St. Paul | 14,491 | .77 |
| Sand and Gravel Taxes | | |
| Becker | 3 | * |
| Clay | 52 | * |
| Kittson | 23 | * |
| Norman | 12 | * |
| Otter Tail | 59 | * |
| Polk | 30 | * |
| Red Lake | 8 | * |
| Wilkin | 4 | * |
| Grand Total | \$1,875,717 | 100.00 |

*Less than .005%.

(E) — Estimated

(NA) — Not Applicable

FOOTNOTES

- 1 Fiscal year 1982 property taxes were levied in calendar year 1981 and were payable in calendar year 1982. Taxes on mobile homes are levied and payable in the same year.

**Fiscal Year 1982
(000's)**

- 2 After Credits
- | | |
|-------------------------------|-----------|
| Regular Homestead Credit | \$479,293 |
| Taconite Homestead Credit | 15,947 |
| Supplemental Homestead Credit | 465 |
| Agricultural Credit | 86,946 |
| Native Prairie Credit | 102 |
| Wetlands Credit | 2,799 |
| Reduced Assessment Credit | 14,027 |
| Power Line Credit | 136 |
- 3 After Credits
- | | |
|-------------------------------|-----------|
| Regular Homestead Credit | 3,400 (E) |
| Taconite Homestead Credit | 201 (E) |
| Supplemental Homestead Credit | 7 (E) |
| Reduced Assessment Credit | 8 (E) |
| Agricultural Credit | 53 (E) |
- 4 Fiscal year 1982 collections are as of calendar year ending 12-31-82. Auxiliary forest tax includes merchantable timber tax of \$31,792 for F.Y. 1982.
- 5 Fiscal year 1982 collections are as of calendar year ending 12-31-81.