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Minnesota Tax Handbook

*A Profile of State and
Local Taxes in Minnesota*

1987 Edition



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MINNESOTA DEPARTMENT OF REVENUE
Tax Research Division

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MINNESOTA TAX HANDBOOK

A Profile of State and Local Taxes in Minnesota 1987 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 including tax base, 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.

Please note: collection amounts stated for the various taxes refer to net collections after refunds. Also, dates stated for major changes generally indicate the year enacted as opposed to the effective date.

Additional copies of the Minnesota Tax Handbook may be obtained by contacting:

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INCOME AND ESTATE TAXES

INDIVIDUAL INCOME TAX

Minnesota Statutes, Section 290.03

Tax Base: Federal taxable income plus or minus state modifications.

Rate Schedules:

Married Couples Filing Joint Returns

Tax Year 1987		Tax Year 1988 and Following	
Taxable		Taxable	
Income	Rate	Income	Rate
\$ 1 -- \$4,000	4%	\$ 1 -- \$19,000	6%
4,001 -- 11,000	6	19,001 and over	8
11,001 -- 21,000	8	plus 10% of the federal	
21,001 and over	9	5% surtax, if any	

Single, Married-Separate, Estates, and Trusts

Tax Year 1987		Tax Year 1988 and Following	
Taxable		Taxable	
Income	Rate	Income	Rate
\$ 1 -- \$3,000	4%	\$ 1 -- \$13,000	6%
3,001 -- 9,000	6	13,001 and over	8
9,001 -- 16,000	8	plus 10% of the federal	
16,001 and over	9	5% surtax, if any	

Heads of Households

Tax Year 1987		Tax Year 1988 and Following	
Taxable		Taxable	
Income	Rate	Income	Rate
\$ 1 -- \$3,500	4%	\$ 1 -- \$16,000	6%
3,501 -- 10,000	6	16,001 and over	8
10,001 -- 18,500	8	plus 10% of the federal	
18,500 and over	9	5% surtax, if any	

Computation:

	Federal taxable income	
plus:	Minnesota additions	
	-- non-Minnesota state and municipal bond interest	
	-- federal itemized deduction for state income taxes	
minus:	Minnesota subtractions	
	-- state income tax refunds	
	-- U.S. bond interest	
	-- dependent education expenses (itemizers only)	
equals:	Minnesota taxable income	
times:	graduated rates - see rate schedules above	
equals:	Minnesota gross tax *	
minus:	nonrefundable credits	
	-- income tax paid to other states	
	-- elderly or disabled persons credit (40% of federal credit)	
equals:	Minnesota income tax	
minus:	refundable credits	
	-- dependent care credit	
	-- enterprise zone credits	
equals:	net individual income tax payable	

* Special computations apply to the alternative minimum tax and to lump sum distributions from qualified pension, profit-sharing, or stock bonus plans.

Special Provisions:

1. Taxpayer may assign \$5 from general fund to political parties or campaign funds.
2. Reciprocity agreements exempt North Dakota, Wisconsin, and Michigan residents from filing Minnesota returns on wage and personal service income earned in this state.
3. Taxpayers may assign \$1 or more 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. 1986	\$1,948,595,000
	F.Y. 1987	\$2,312,043,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: An individual, trust, or estate with Minnesota income which meets or exceeds the filing requirements.

Payment Dates:

1. Withholding of taxes on Minnesota earnings is required of employers. Employers remit taxes withheld on an eighth-monthly, 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. Quarterly payments of estimated tax are required for income not subject to withholding.

History of Major Changes

- 1933 -- Income tax enacted at graduated rates from 1% to 5%.
- 1937 -- Graduates rates increased and credits replaced original exemptions
- 1949 -- Standard deduction of 10% up to \$500 established. A 5% surtax levied on the normal rate.
- 1951 -- Additional personal credits allowed for blind persons and age 65 and over.
- 1953 -- Standard deduction maximum increased 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 persons allowed.
- Rent credit and senior citizen 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 subtraction limited to \$7,200.
- Income adjusted homestead credit becomes property tax refund. Senior citizen property tax freeze repealed.

- 1978 -- 18% top rate repealed.
 -- Personal credits increased to \$40.
 -- Homemaker and National Guard credits allowed.
 -- Pension income subtraction modified and extended to private pensions.
 -- Low income credit levels and political contribution credit increased.
- 1979 -- Personal credits increased; to be indexed after 1980. Additional personal credits for quadriplegic persons allowed.
 -- Maximum standard deduction increased to \$2,000; to be indexed after 1980.
 -- Low income credit levels increased.
 -- Income tax brackets indexed at 85% of increase in Consumer Price Index.
 -- 17% top rate rescinded.
 -- Pension income exclusion increased to \$10,000.
 -- National Guard credit repealed. Subtraction of military pay reinstated.
 -- Political contribution credit and property tax refund increased. Credits allowed for pollution control expenditures and renewable energy source expenses.
- 1980 -- Pension income subtraction increased to \$11,000.
 -- Low income credit levels increased.
 -- Checkoff for nongame wildlife instituted.
 -- Deduction of \$200 per person for interest and dividends allowed.
 -- Dependent care credit increased.
- 1981 -- Federal tax deduction changed to accrual basis.
 -- Indexing of brackets, standard deduction maximum, and personal credits changed to 100% of Consumer Price Index 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.
- 1982 -- 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.
- 1984 -- Repealed 10% surtax.
 -- Expanded pension income subtraction.
 -- Increased maximum dependent education expense deduction.
 -- Dependent care credit phaseout schedule modified.
 -- Pollution control credits reinstated.
 -- Credits allowed for purchase of conservation tillage planters and certain hazardous waste equipment.
 -- Nonresident tax basis changed to allocated portion of total tax.
- 1985 -- Required the election of married persons (to file a joint return or separate returns) to be the same as the federal election. Lowered the tax rates. Replaced the one rate schedule with four.
 -- Established a rate schedule for married-joint returns different from the one that applies to single persons and married-separate returns. Changed certain other provisions to be based on the joint income of the couple rather than the income of each taxpayer.
 -- Made the deductibility of the federal income tax an option, with a higher set of rates used when the federal tax is deducted.
 -- Changed the point at which the standard or itemized deductions are subtracted to be before any federal tax, rather than after.
 -- Changed the indexing of the tax brackets, maximum standard deduction, and personal credits to be based on the annual increase in the Consumer Price Index for the United States.
 -- Eliminated additions for the federal deduction for two-earner married couples, contributions to an individual retirement account, simplified employee plan, or Keogh plan, and the farm loss modification.
 -- Eliminated the subtraction for social security benefits.
 -- Modified the subtraction for pension income and restricted it to persons age 65 or over or disabled, with some exceptions.
 -- Conformed certain itemized deductions to federal treatment.
 -- Repealed the taxable net income adjustment factor.
 -- Repealed the low income credit, homemaker credit, residential energy credit, resource recovery equipment credit, pollution control credits, conservation tillage credit, and equity investment credit.
 -- Replaced the minimum tax with an alternative minimum tax.
- 1987 -- Changed the starting point for computation of the tax from federal adjusted gross income to federal taxable income, thereby adopting the federal standard deduction, itemized deductions, and personal exemptions.
 -- Adopted changes made by the federal Tax Reform Act of 1986 and among other things, thereby: Repealed the dividend exclusion, 60% capital gain exclusion, the deduction for two-earner married couples, the exemption of unemployment compensation, and the itemized deductions for sales tax, motor vehicle excise tax, and adoption expenses; Modified deductions for depreciation, contributions to Individual Retirement Accounts, medical expenses, and home mortgage interest; Phased out the deductibility of consumer interest and passive activity losses over a five-year period.
 -- Eliminated the deductibility of federal income taxes which had been optional.
 -- Changed the rate schedules by:
 1. reducing the number of brackets to four for 1987 and to two in subsequent years.
 2. adding a schedule for heads of households.
 3. eliminating separate rate schedules for federal deductibility option
 4. imposing an additional tax equal to 10% of the federal 5% surtax, if any.

- Increased the rate for the alternative minimum tax from 4% to 6%.
- Enacted a credit for elderly and disabled persons equal to 40% of the federal credit.
- Repealed: the personal credits and the Minnesota itemized and standard deductions (replaced by federal provisions); political contribution credit; subtractions including pension income, military pay, and unemployment compensation.

**CALENDAR YEAR 1987 ESTIMATED
INDIVIDUAL INCOME TAX BURDENS
FOR HYPOTHETICAL TAXPAYERS**

FILER TYPE	SIZE OF GROSS INCOME				
	\$15,000	\$25,000	\$35,000	\$50,000	\$100,000
Single Taxpayer	\$592	\$1,274	\$2,012	\$3,119	\$6,809
Married Filing Joint	\$146	\$ 732	\$1,389	\$2,496	\$6,186
2 Dependents					
Head of Household	\$404	\$ 1,066	\$1,786	\$2,893	\$6,583
1 Dependent					

Comparison With Other States -- Tax Year 1987

	California	Illinois	Iowa	Michigan	MINNESOTA	New York	North Dakota ^a	Wisconsin
Federal Tax Deduction	No	No	Yes	No	No	No	Yes	No
Standard Deduction								
Single	\$1,880		\$1,230		\$2,540 ^b	\$3,600	\$2,540 ^b	\$5,200 ^c
Joint	3,760		3,030		3,760 ^b	5,300	3,760 ^b	7,560 ^c
Married Separate	1,880		1,230		1,880 ^b	2,650	1,880 ^b	3,590 ^c
Personal Exemptions								
Single		\$1,000		\$1,500	\$1,900	\$ 900	\$1,900 ^d	
Joint		2,000		3,000	3,800	1,800	3,800	
Dependent		1,000		1,500	1,900	900	1,900	
Personal Credits								
Single	\$51		\$20					e
Joint	102		40					e
Dependent	51		15					\$50
Rates	1% to 9.3% on income over \$23,950	2 1/2% on taxable net income	0.4% to 9.98% on taxable income over \$45,000	4.6% on taxable income	See Rates Above	2% to 8.75% on income over \$23,300	2.67% to 12% on taxable income over \$50,000	4.9% to 6.93% on income over \$15,000 single \$20,000 joint \$10,000 married-separate
	(Indexes brackets, standard deduction, and credits)		(Indexes tax brackets)		(Indexes brackets and standard deduction.)			

South Dakota and Texas do not impose personal income taxes.

a. Applicable to long form only. On short form liability is 14% of adjusted federal liability.

b. Same as federal. Higher amounts for the elderly and blind.

c. Maximum amounts shown decline to zero as income increases: from \$7,500 to \$50,830 for singles; from \$10,000 to \$70,480 for married-joint; and from \$4,750 to \$33,470 for married-separate. For 1988, maximum amounts for married-joint and married-separate increased to \$8,900 and \$4,230 respectively. Phase-out modified

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

e. Wisconsin allows a \$25 credit for taxpayer (and spouse on joint return) if age 65 or over.

CORPORATION FRANCHISE TAX

Minnesota Statutes, Section 290.02

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

Rate: 9.5%

Major Exemptions:

- Nonprofit corporations
- Cooperative associations
- Credit unions
- Mining companies subject to occupation tax

Computation:

	Federal taxable income
plus:	Minnesota additions
	-- state or foreign income taxes deducted federally
	-- federally - exempt interest on government bonds
	-- exempt - interest dividends paid by regulated investment companies
	-- windfall profits tax deducted federally
	-- net operating loss deducted federally
	-- federal dividend received deduction
	-- losses from mining subject to the occupation tax
	-- capital losses
	-- federal charitable contribution deduction
	-- exempt foreign trade income of a foreign sales corporation
	-- percentage depletion
	-- amortization deduction for specified pollution control facilities
minus:	Minnesota subtractions
	-- foreign dividend gross up
	-- salary expenses not deducted federally due to federal jobs credit
	-- for banks, any dividend paid on its preferred stock to the federal government
	-- depreciation and depletion deductions for intangible drilling costs previously disallowed
	-- capital loss deduction with no carrybacks
	-- interest and expenses on income that is exempt federally but taxed by the state
	-- cost depletion for mines, oil and gas wells, other natural deposits, and timber
	-- depreciation deduction for specified pollution control facilities
plus or minus:	modifications to the federal accelerated cost recovery system
equals:	total net income
times:	apportionment factor
	-- weighted factor of 15% of property ratio, 15% of payroll ratio, and 70% of sales ratio.
	-- under certain conditions, separate accounting or single sales factor can be used.

equals: Minnesota net income

minus: Minnesota deductions

- net operating loss
- dividends received deduction
- Minnesota charitable contributions
- 35% foreign source royalties

equals: Minnesota taxable income

times: 9.5%

equals: gross tax *

minus: nonrefundable credits

- research and development credit
- gross premiums tax credit for insurance companies

equals: tax liability

minus: refundable credits

- enterprise zone credits

equals: net corporate tax payable

* Special computation applies to the alternative minimum tax.

Revenue

Collections:	Corporation Income Tax	Bank Excise Tax
F.Y. 1986	\$326,124,000	\$41,187,000
F.Y. 1987	\$403,649,000	\$19,351,000

Note: The corporation franchise tax replaces the corporation income and bank excise taxes.

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Domestic and foreign corporations and financial institutions including national and state banks which do business in Minnesota.

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

Due Date: Return is due 15th day of 3rd month after tax year with 7 month extension available.

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 apportionment option.
- 1941 -- Bank excise tax enacted at a rate of 8%
- 1947 -- Specific credit reduced to \$500. \$10 minimum tax adopted.
- 1949 -- 5% special surtax added; additional \$5 fee imposed. Total rate of 6.3% for corporations and 8.4% for banks.
- 1953 -- Nonmanufacturing firms allowed apportionment option.
- 1955 -- 1% surtax on taxable income added; total rate of 7.3% for corporations and 9.4% for banks.
- 1957 -- Property/payroll credit repealed.
- 1959 -- For corporations 7.5% tax rate adopted; 1.8% additional levy imposed. Total rate of 9.3%. For banks, 9.5% tax rate adopted; 1.9% additional levy imposed. Total rate of 11.4%
- 1961 -- 10% surtax added; total rate of 10.23% for corporations and 12.54% for banks.
- 1967 -- 1% rate added; total rate of 11.33% for corporations and 13.64% for banks.
- 1969 -- Pollution control credit enacted.
- 1971 -- Federal tax deduction eliminated.
- Rate increased to 12% for corporations.
- Bank rate remained at 13.64%.
- 1973 -- Minimum tax increased to \$100.
- Destination sales basis adopted.
- Bank rate reduced to 12%.
- 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 (ACRS) deductions allowed.
- Unitary method of taxation enacted.
- 60% capital gain exclusion allowed.
- 1982 -- Research credit changed to 12.5% of qualifying expenses (6.25% of expenses over \$2,000,000).
- ACRS deduction limitations changed.
- 1983 -- Pollution control credits repealed.
- Eliminated deduction for corporate income taxes paid to other states.
- Enacted these credits: technology transfer; small business assistance office; equity investment; and certain enterprise zone credits.
- Multistate tax compact adopted.
- 1984 -- Exempted foreign source dividends and certain foreign source royalties.
- Pollution control credits reinstated and expanded to include hazardous waste equipment.
- Minimum preference tax and energy credit repealed.
- 1985 -- Repealed the pollution control credits, resource recovery equipment credit, equity investment credit, and conservation tillage credit.
- Extended the expiration dates of the technology transfer credit and the small business assistance office credit.

- Allowed certain mail order firms to apportion income based only on sales.
- 1987 -- Corporate income tax and bank excise tax replaced by a corporate franchise tax on corporations and banks.
- Rate reduced to 9.5%.
- Adopted federal taxable income as the starting point for computation of the tax and thereby eliminated the 60% capital gains deduction and conformed to federal treatment of Subpart F income.
- Adopted changes made by the federal Tax Reform Act of 1986.
- Adopted alternative minimum tax of one mill times the Minnesota property, payroll, and sales factors for tax years 1987, 1988, and 1989. Exempt first \$5 million of Minnesota factors, phased out for corporations with total factors exceeding \$10 million. Property and payroll factors deemed zero for first five years of a new corporation. Beginning with tax year 1990, replaced by minimum tax on preference items.
- Phased in conformity to federal ACRS treatment.
- Eliminated arithmetic average option for apportionment.
- Reduced foreign source royalty deduction from 100% to 35%.
- Reduced dividend received deduction from 85% to 80%.
- Reduced foreign source dividend deduction from 100% to 80%.
- Reduced research and development credit percentages to 5% of the first \$2 million of qualifying expenses and to 2.5% of the excess.
- Restricted contribution deduction.
- Repealed net operating loss carrybacks.

Comparison With Other States

	Income/Franchise Tax Rates
California	9.3% of net income; minimum tax of \$300. Banks: 11.058%; minimum tax of \$200.
Illinois	4% of net income plus additional 2.5% tax on net income for personal property tax replacement. Franchise tax: 0.1% on certain capital and surplus. Banks: value of shares subject to local property tax rates.
Iowa	6% first \$25,000; 8% next \$75,000; 10% next \$150,000; 12% of net income over \$250,000. Banks: 5% of net income.
Michigan	Single business tax: 2.35% of adjusted tax base that includes business income, compensation paid employees, interest payments, and depreciation of tangible assets. Local corporate income tax may be imposed.
MINNESOTA	9.5%

New York	9% of net income, or 0.178% of capital, or the greater of \$250 or 3.5% of net income as a minimum. Additional tax on subsidiary capital of .9 mill per dollar. Local tax on income may be imposed. Banks: 9% on net income, \$250, or 3% on alternative income, whichever is greatest.
North Dakota	3% first \$3,000; 4.5% next \$5,000; 6% next \$12,000; 7.5% next \$10,000; 9% next \$20,000; 10.5% of net income over \$50,000. Banks: 7% of net income (includes 2% privilege tax).
South Dakota	No corporate income tax. Banks: 6% of net income.
Texas	No tax on income; 0.525% of capital stock, surplus, and undivided profits. Temporary increase to 0.67% through 12/31/89.
Wisconsin	7.9% of net income.

ESTATE TAX

Minnesota Statutes, Section 291.01

Tax Base: Federal estate tax credit for state taxes.

Computation:

	Federal maximum credit for state death taxes
times:	proportion of Minnesota gross estate to federal gross estate
equals:	estate tax payable

Revenue

Collections:	F.Y. 1986	\$15,319,000*
	F.Y. 1987	\$21,602,000*

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

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Personal representative submits a return for the estate. For 1987, return required if federal gross estate exceeds \$600,000.

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 to \$45,000.
 - Optional marital exemption of 50% of the gross estate to \$250,000 adopted. Marital exemption increased to \$60,000 and equalized between spouses.
 - Exemption for minor child increased to \$30,000.
- 1979 -- Inheritance and gift tax repealed; replaced by estate tax with rates graduated from 7% to 12%.
 - Eliminated 10% distribution to counties.
 - Conformed to federal changes increasing minimum filing requirements and providing unlimited marital deduction.
- 1985 -- Eliminated the provisions of the Minnesota rate schedule tax, so that the tax is equal to the Minnesota portion of the federal estate tax credit for state taxes, known as the "pick-up tax."

Comparison With Other States

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

California, Illinois, MINNESOTA, North Dakota, and Texas Tax equals the state's portion of the maximum federal credit for state death taxes allowed against federal estate tax (commonly referred to as the "pick-up tax").

Iowa, Michigan, South Dakota, and Wisconsin levy inheritance taxes instead of estate taxes. In addition to the inheritance tax, Iowa, South Dakota, and Wisconsin impose an estate tax to absorb the maximum credit available under 26 U.S.C. 2011. Wisconsin will phase out its inheritance tax over a five-year period beginning in 1988. In 1992, its only death tax will be the state portion of the federal credit.

Inheritance tax is based upon the amount of property transferred to each beneficiary and the relationship of the beneficiary to decedent, while an estate tax is based on the value of the estate being transferred.

STATE SALES AND EXCISE TAXES

SALES AND USE TAX

Minnesota Statutes, Sections 297A.02 and 297A.14

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

Rates:

6% General rate applicable to all taxable transactions except those listed below.

8.5% Liquor and beer, both on-sale and off-sale.

4% Capital equipment for new or expanding industries; special tooling.

2% Farm machinery; logging equipment.

Other Property shipped outside Minnesota is taxed at the rate in the destination state under certain conditions.

Property subject to the use tax, on which tax has been paid to another state at a rate lower than Minnesota's rate, is taxed at the difference between Minnesota's rate and the other state's rate.

Major Exemptions: Food for consumption off premises, clothing, prescribed drugs and medications, gasoline, publications issued at intervals of 3 months or less (except over-the-counter magazines), motor vehicles (subject to 6% motor vehicle excise tax), materials used or consumed in agricultural or industrial production, textbooks, and residential heating fuels and water.

Revenue

Collections:	F.Y. 1986	\$1,360,789,000
	F.Y. 1987	\$1,470,363,000

Disposition: State General Fund, except for the revenues from the sales and use tax on club dues which are deposited in the Sports and Health Club Sales Tax Revenue Fund.

Administration

Agency: Minnesota Department of Revenue

Who Pays: Purchasers or users of taxable goods and services.

Who Remits: Holders of Minnesota sales and use tax permits collect and remit the tax. Holders of direct pay permits also remit the tax.

Due Dates (for taxes and returns becoming due after 12/31/87): Monthly returns -- 20th day of the month following the sales month. Accelerated payment of one-half June liability due June 20th for vendors having large liabilities. Quarterly returns -- 20th of the month following the sales quarter. Annual returns -- January 20th of the year following the sales year.

History of Major Changes

- 1967 -- Sales tax enacted at 3% rate.
- 1971 -- Rate increased to 4%, except for receipts of coin operated vending machines.
 - Motor vehicles subject to the motor vehicle excise tax exempted.
- 1978 -- Residential heating fuel exempted.
- 1979 -- Residential water service exempted.
- 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 soft drinks 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.
- 1982 -- Temporarily increased rate to 6%.
- 1983 -- Rate permanently changed to 6%.
 - 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.
 - Construction material and property of direct satellite broadcasting facilities and distilleries exempted from tax.
- 1984 -- Rate reduced to 4% on special tooling and on capital equipment for new or expanding manufacturing facilities.
 - Tax on new mobile homes imposed on 65% of actual price.
 - Used mobile homes, sales of candy by certain educational organizations, and equipment used to process certain solid or hazardous waste exempted from tax.
- 1985 -- Rate for farm machinery reduced to 2%.
 - Exempted: repair and replacement parts for farm machinery; ticket sales and admissions to elementary and secondary school games and activities; certain sales of nonprofit organizations, including fundraising; electricity used in snowmaking; petroleum products used to improve agricultural land; and capital equipment purchased for a qualifying new or expanded manufacturing facility in a distressed county.
 - Repealed exemption for central office telephone equipment.
- 1986 -- Exempted: construction materials and supplies used or a qualifying new or expanded manufacturing facility in a distressed county; and purchases made in connection with a service contract by qualifying private suppliers of public services.
- 1987 -- Removed exemptions from: nonprescribed drugs and medicine, except insulin; purchases by the state government; interstate telephone service, except incoming WATS calls; railroad rolling stock; club dues, with some exceptions; race horses; meals sold in hospital cafeterias; admission to public recreational areas; and admission to health clubs, tanning facilities, reducing salons, and similar places.

- Sales tax extended to selected services, including: parking; specified motor vehicle cleaning and maintenance (not repair); pet grooming; laundry and dry cleaning; building and residential cleaning, maintenance, and exterminating; detective agencies, security, burglar and fire alarm, and armored car services; and lawn, garden, tree, and shrub services.
- Changed payment dates.
- 2% rate for farm machinery extended to machinery used in sod production and to certain dealer-installed farm machinery.
- Eliminated the reduction in sales price for federal taxes.
- Extended exemptions for new or expanded manufacturing facilities in distressed counties to the defined taconite tax relief area.

Comparison With Other States

	Rate	Local Option Sales Tax
California	4.75%	Yes ^a
Illinois	5.00%	Yes
Iowa	4.00%	Yes ^b
Michigan	4.00%	No
MINNESOTA	See rates above	No
New York	4.00% ^c	Yes
North Dakota	5.50% ^d	Yes
South Dakota	4.00% ^e	Yes
Texas	6.00%	Yes ^f
Wisconsin	5.00%	Yes

- a. Additional 1.25% state administered sales and use tax imposed in every county. A 0.5% state administered transactions and use tax is also applicable in six transit districts. Two 0.5% state administered transactions and use taxes are imposed in Santa Clara and Alameda Counties.
- b. Local sales tax may be imposed based on voter approval in each local jurisdiction. The rate is 1%.
- c. Exempts sales of residential energy. This exemption is optional to localities.
- d. 3.5% on farm machinery, farm machinery repair parts, irrigation equipment, and new mobile homes; 6.5% on alcoholic beverages.
- e. Temporary increase to 5% through April 30, 1988.
- f. Now used in twelve counties.

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

Minnesota Statutes, Section 297B.02

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

Rate: 6%. Flat rate of \$10 for passenger cars ten years or older, in lieu of the 6% tax.

Credit: Credit allowed for tax paid to other states under certain conditions.

Major Exemptions: Purchases for resale by dealers, transfers by inheritance, and gratuitous transfers between joint owners, spouses, and parents and children.

Revenue

Collections:	F.Y. 1986	\$207,566,000
	F.Y. 1987	\$225,367,000

Disposition:

Fiscal Years	General Fund	Highway User Fund	Transit Assistance Fund
Prior to 1985	100%	0%	0%
1985	75	18.75	6.25
1986-1987	100	0	0
1988 and after	95	3.75	1.25

Administration

Agency: Minnesota Department of Public Safety

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

Payment Dates: Tax is paid when ownership is transferred.

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%. Portion of collections earmarked for Highway User Tax Distribution Fund and Transit Assistance Fund.
- 1982 -- Rate temporarily increased to 6%.
- 1983 -- Rate permanently changed to 6%. "Purchase price" excludes any federal taxes.
- 1985 -- Enacted a \$10 tax on passenger cars at least ten years old in lieu of the 6% tax.
- 1986 -- Changed the disposition of the tax for fiscal years 1986 and 1987.
- 1987 -- Disposition changed.
- Exemptions removed for purchases by nonprofit organizations and state and local governments.

Comparison With Other States

California*	6.0% ^a
Illinois*	5.0%
Iowa*	4.0%
Michigan*	4.0%
MINNESOTA	6.0%
New York*	4.0%
North Dakota	5.5%
South Dakota	3.0%
Texas*	6.0%
Wisconsin*	5.0% ^b

* Motor vehicles in these states are taxed under the sales and use tax.

^a With the addition of local taxes, the rate is 6.5% in six transit districts and 7% in Santa Clara and Alameda counties.

^b Additional local tax of 0.5% imposed in twelve counties.

MOTOR FUELS TAXES

Minnesota Statutes, Section 296.02, 296.025 and 296.026

Tax Base: Gallons of gasoline or special fuel used in highway vehicles, snowmobiles, motorboats, all-terrain vehicles, aircraft, trains, and to propel barges.

Rates: 17 cents per gallon except for certain border areas subject to rate reduction; Aviation fuel -- 5 cents per gallon. Compressed natural gas -- in lieu of 17 cents special fuels tax, annual user permit fee based on vehicle weight and annual mileage.

Credits: Taxes paid on fuel used for non-highway use, except for snowmobiles, motorboats, and all-terrain vehicles, may be claimed as a credit or refund. Aviation fuel taxes are refundable by the Petroleum Division on a graduated basis, depending upon the number of gallons purchased if gallons exceed 50,000. Credit of 25 cents per gallon to distributors of fuel-grade alcohol blended with gasoline to produce gasohol in fiscal year 1987 and 20 cents thereafter.

Exemptions:

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

Revenue

	Highway Fuels	Aviation Fuels
Collections: F.Y. 1986	\$334,036,000	\$2,232,000
F.Y. 1987	\$354,487,000	\$2,497,000

Disposition:

Aviation -- State airports fund.

Highway* -- Highway user tax distribution fund.

Marine* -- Special revenue fund, water recreation account.

Snowmobile* -- Snowmobile trails and enforcement account.

All-terrain vehicles* -- All-terrain vehicle account.

* Amount of distribution based on the percentage of total gasoline usage deemed by statute to be used for these purposes, as follows:

- Marine -- 1.5%
- Snowmobiles -- 0.75%
- All-terrain vehicles -- 0.15%
- Highway -- Remaining amount

Administration

Agencies: Minnesota Department of Revenue
Minnesota Department of Public Safety -- compressed natural gas user permit.

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 2 cents a gallon.
- 1929 -- Increased to 3 cents a gallon.
- 1937 -- Temporary increase to 4 cents a gallon.
- 1941 -- Rate of 4 cents made permanent.
- 1949 -- Increased to 5 cents a gallon.
- 1963 -- Increased to 6 cents a gallon.
- 1967 -- Increased to 7 cents a gallon.
- 1975 -- Increased to 9 cents a gallon.
- 1980 -- Increased to 11 cents a gallon.
- 1981 -- Increased to 13 cents a gallon.
- Enacted rate reduction for certain border areas to not more than 3 cents per gallon above rate imposed in contiguous state.
- 1983 -- Increased to 16 cents a gallon and to 17 cents effective in 1984.
- Enacted 2 cents per gallon rate reduction for gasohol.
- Aviation fuel rate of 5 cents per gallon adopted.
- 1985 -- Replaced the reduced rates for gasohol with credits to distributors for the amount of fuel-grade alcohol blended with gasoline to produce gasohol.
- Enacted an annual user permit fee to be imposed, in lieu of the highway fuels tax, on vehicles using compressed natural gas.
- 1986 -- Reduced the amount of the credits to distributors for fuel-grade alcohol used to produce gasohol.
- Established the ethanol development fund from which direct payments to ethanol producers in Minnesota are made.

Comparison With Other States

Rates Per Gallon

California	Gasoline and highway fuels 9 cents; jet fuel 2 cents; LPG and LNG 6 cents; compressed natural gas 7 cents per 100 cubic feet; 4.5 cents per gallon on ethanol or methanol.
Illinois	Gasoline 13 cents; diesel fuel 15.5 cents.
Iowa	Gasoline 16 cents; diesel fuel 17.5 cents; gasohol 15 cents.
Michigan	Gasoline 15 cents; diesel fuel 18.5 cents*; aircraft 3 cents (Interstate Commerce 1.5 cents).
MINNESOTA	See rates above.
New York	Gasoline 8 cents; diesel fuel 10 cents.
North Dakota	Gasoline 17 cents; special fuels 17 cents except for heating, agricultural, industrial, or railroad purposes; exempt special fuels 2% of sales price.
South Dakota	Gasoline and diesel highway fuel 13 cents; LP gas 11 cents; aviation gas 6 cents; gasohol 11 cents; special fuel aviation gas 4 cents.
Texas	All fuels 15 cents.
Wisconsin	20 cents.

* For diesel fuel there is a 6 cents discount for commercial vehicles, coupled with road tax based on miles driven in state and diesel license fee.

ALCOHOLIC BEVERAGE TAXES

Minnesota Statutes, Section 297C.02

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

Rates:

Beer: Alcohol by Weight	Tax per Barrel of 31 Gallons	
	Per Liter	Per Gallon
3.2% or less	\$2.40	
More than 3.2%	\$4.60	
Distilled Spirits	\$1.33	\$5.03
Wine: Alcohol by Volume		
14% or less	\$.08	\$.30
14% to 21%	.25	.95
21% to 24%	.48	1.82
More than 24%	.93	3.52
Sparkling wine	.48	1.82

Credits: Small brewers receive a credit of \$4 per barrel on the first 25,000 barrels produced each year for sale within Minnesota. To qualify, the brewer must have manufactured less than 100,000 barrels in the preceding year.

Exemptions: Wine for sacramental purposes. Wine or beer made at home. Alcoholic beverages sold to food processors. Beer served on the premises of a brewery at no charge.

Special Provision: Separate tax of 1 cent for each bottle or container of distilled spirits and wine. Tax is paid by the wholesaler at the time of removal from inventory for sale, delivery, or shipment.

Revenue

Collections:	Distilled Spirits	Beer	Wine
F.Y. 1986	\$36,513,000	\$11,408,000	\$3,585,000
F.Y. 1987	\$38,619,000	\$12,321,000	\$3,636,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

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

Payment Dates: 18th day of month following the month in which sale is made. Accelerated payment of one-half of June liability due June 18th for those with May liability of \$1,500 or more.

History of Major Changes

- 1934 -- Enacted at rates of: \$1 per barrel of 3.2% beer and \$2 per barrel of strong beer; 60 cents per gallon of liquor; and rates for wine varying from 10 cents to 60 cents per gallon.
- 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.
-- Minnesota brewers' credit enacted.
- 1976 -- Minnesota brewers' credit amended.
- 1979 -- Sparkling wine reduced from \$3.08 to \$1.50 per gallon.
- 1980 -- Minnesota vintners wine taxed at \$.17 per gallon.
- 1985 -- Preferential rates for Minnesota vintners repealed.
-- Minnesota brewers' credit repealed.
-- Small brewers' credit enacted.
- 1986 -- Accelerated June payment enacted. Payment dates changed
- 1987 -- Rates increased: distilled spirits from \$4.39 to \$5.03 per gallon; all categories of wine -- lowest rate from 27 cents to 30 cents per gallon and highest rate from \$3.08 to \$3.52 per gallon; 3.2% beer from \$2.00 to \$2.40 per barrel and strong beer from \$4.00 to \$4.60 per barrel.
-- Payment dates changed.

Comparison With Other States

	Distilled Spirits Per Gallon	Beer Per Barrel (31 Gallon)	Wine Per Gallon	
			14% or Less	More Than 14%
California	\$2.00 ≤ 100 proof \$4.00 ≤ 100 proof	\$1.24	\$.01	\$.30
Illinois	\$ 2.00	\$ 2.17	\$.23	\$.23
Iowa	15% of price	\$ 5.89	15% of price	15% of price
Michigan	12% - 13% of price ^a	\$ 6.30	\$.51 ^b	\$.51
MINNESOTA	\$ 5.03	\$ 2.40 ≤ 3.2% \$ 4.60 strong	\$.30	\$.95 - \$ 3.52
New York	\$ 1.00 ≤ 24% \$ 4.09 ≤ 24%	\$ 1.70	\$.12	\$.33 - \$.66
North Dakota	\$ 2.50	\$ 2.48 bulk \$ 4.96 bottles and cans	\$.50 ^c	\$ 1.00
South Dakota	\$ 3.93	\$ 5.18 ≤ 3.2% \$ 8.50 strong	\$.93	\$ 1.45 - \$ 2.07
Texas	\$ 2.40	\$ 6.00	\$.204	\$.516
Wisconsin	\$ 3.25	\$ 2.00	\$.25	\$.25

a 12% rate applies to on-sale. 13.85% applies to off-sale.
b Rates change at 16% rather than 14%. Lower rate for Michigan - produced wine.
c

CIGARETTE TAX

Minnesota Statutes, Section 297.02 and 297.22

Tax Base: Cigarettes sold in Minnesota.

Rate: 38 cents per pack of 20.

Credits: Distributors receive a 1.25% discount on the first \$1,500,000 of stamps purchased and .75% on additional purchases. The discount covers tax collection expenses.

Revenue

Collections:	F.Y. 1986	\$97,700,000
	F.Y. 1987	\$109,026,000

Disposition:

Debt service on specified bonds (paid first)

2 cents per pack	-- Minnesota resources fund
4 cents per pack	-- Minnesota water pollution control fund less debt service (above) to control water pollution
2 cents per pack	-- public health fund
Balance	-- State general fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Distributors or wholesalers of cigarettes.

Payment Dates: 18th day of the month following sale to a retailer in Minnesota. Accelerated payment of one-half of June liability due June 18th for those with May liability of \$1,500 or more.

History of Major Changes

1947 -- Enacted at 3 cents per pack.
1949 -- Increased to 4 cents per pack.
1959 -- Increased to 5.5 cents per pack.
1961 -- Increased to 7 cents per pack.
1963 -- Increased to 8 cents per pack.
1969 -- Increased to 13 cents per pack.
1971 -- Increased to 18 cents per pack.
1985 -- Increased to 23 cents per pack. Disposition changed.
1986 -- Accelerated June payment enacted. Payment dates changed
1987 -- Increased to 38 cents per pack. Payment dates changed.
Disposition changed.

Comparison With Other States

	Rate Per Pack of 20
California	10 cents
Illinois	20 cents
Iowa	26 cents
Michigan	21 cents
MINNESOTA	38 cents
New York	21 cents
North Dakota	27 cents
South Dakota	23 cents
Texas	26 cents
Wisconsin	30 cents

TOBACCO PRODUCTS TAX

Minnesota Statutes, Section 297.32

Tax Base: Tobacco products (other than cigarettes) sold in Minnesota, including: cigars, smoking tobacco and chewing tobacco.

Rate: 35% of wholesale price.

Credits: Distributors allowed discount equal to 1.5% of tax for administrative expenses.

Revenue

Collections:	F.Y. 1986	\$3,933,000
	F.Y. 1987	\$3,426,000

Disposition:

- 85.7% state general fund
- 14.3% state water pollution control fund

Administration

Agency: Minnesota Department of Revenue

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. Accelerated payment of one-half of June liability due June 18th for those with May liability of \$1,500 or more.

History of Major Changes

1955 -- Enacted at rate of 15%.
1959 -- Rate increased to 20%.
1985 -- Rate increased to 25%. Disposition changed.
1986 -- Accelerated June payment enacted. Payment dates changed.
1987 -- Rate increased to 35%. Payment dates changed.

Comparison With Other States

Iowa	15% of wholesale price.
MINNESOTA	35% of wholesale price.
North Dakota	20% of wholesale price.
Texas	28.125% 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.

CONTROLLED SUBSTANCES TAX

Minnesota Statutes, Section 297D.08

Tax Base: Marijuana or controlled substance (as defined) that is held, possessed, transported, transferred, sold, or offered to be sold in violation of Minnesota laws.

Rates:

- Marijuana -- \$3.50 per gram or portion thereof.
- Controlled substance -- \$200 per gram or portion thereof.
- Controlled substance not sold by weight -- \$2,000 on each 50 dosage units, or portion thereof.

Exemption: Pharmacists or other persons lawfully in possession of marijuana or a controlled substance.

Revenue

Collections: F.Y. 1987 \$65,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: A dealer who in violation of Minnesota law manufactures, produces, ships, transports, or imports into Minnesota or possesses more than the specified amount of marijuana or a controlled substance.

Payment Dates: Immediately upon acquisition or possession in Minnesota by a dealer.

History of Major Changes

1986 -- Enacted.

MORTGAGE REGISTRY TAX

Minnesota Statutes, Section 287.05

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

Rate: 23 cents per \$100 of principal debt.

Exemptions: Organizations exempt from the property tax.

Revenue

Collections: For fiscal years 1986 and 1987, 95% of the mortgage registry tax and 97% of the deed transfer tax collections were deducted from the county welfare expenses reported to the state. The total tax collected for each tax is not available, but the welfare offset was \$34,043,000 for fiscal year 1986 and \$47,212,000 for fiscal year 1987.

Disposition:

Deducted from welfare expenses reimbursed by the state	97%
Retained by county	3%

Administration

Agency: Treasurer of the county in which the mortgaged land is situated.

Who Pays: The lender who records or registers a 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 cents per \$100 of principal debt.
- 1913 -- Changed to 15 cents per \$100 where mortgage runs for five years or less, and 25 cents per \$100 for mortgages of more than five years.
- 1945 -- Changed to 15 cents per \$100 on any mortgage.
- 1983 -- Contracts for deed not subject to tax.
- 1985 -- Disposition modified.
- 1987 -- Rate increased to 23 cents for each \$100 of debt.
-- Welfare offset increased from 95% to 97%.

Comparison With Other States

MINNESOTA 23 cents per \$100 of principal debt.
New York \$1.00 per \$100 of principal debt maximum.

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

DEED TRANSFER TAX

Minnesota Statutes, Section 287.21

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

Rates: \$1.65 for consideration of \$500 or less plus \$1.65 for each additional \$500.

Exemptions: Executory contracts for the sale of land, mortgages, wills, plats, leases, cemetery lot deeds, deeds of distribution by personal representatives, and transfers between co-owners.

Revenue

Collections: For fiscal years 1986 and 1987, 95% of the mortgage registry tax and 97% of the deed transfer tax collections were deducted from the county welfare expenses reported to the state. The total tax collected for each tax is not available, but the welfare offset was \$34,043,000 for fiscal year 1986 and \$47,212,000 for fiscal year 1987.

Disposition:

Deducted from welfare expenses reimbursed by the state.	97%
Retained by county	3%

Administration

Agency: Treasurer of the county in which the land is situated.

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.
- 1984 -- Exempted transfers between co-owners partitioning undivided interests in property.
- 1985 -- Disposition modified.
- 1987 -- Rate increased to \$1.65 for \$500 or less and \$1.65 for each additional \$500.
 - Extended tax to personal property transferred as part of total consideration.
 - Eliminated exemption for state and local governments.

Comparison With Other States

California	55 cents per \$500 consideration after the first \$100 at the city or county option. Equity only subject to tax.
Illinois	25 cents per \$500 consideration.
Iowa	55 cents per \$500 consideration after the first \$500.
Michigan*	55 cents per \$500 consideration maximum.
MINNESOTA	\$1.65 for consideration of \$500 or less plus \$1.65 for each additional \$500.
New York	\$2.00 per \$500 consideration after the first \$100.
North Dakota	No tax.
South Dakota	50 cents per \$500 consideration.
Texas	No tax.
Wisconsin	30 cents per \$100 consideration.

*Wayne County authorized to impose 75 cents per \$500.

GAMBLING TAXES

CHARITABLE GAMBLING TAX

Minnesota Statutes, Section 349.212

Tax Base: Gross receipts of a licensed organization from lawful gambling less prizes actually paid out.

Rate: 10%

Exemptions: Pull-tabs. Lawful gambling if conducted by the organization on no more than five days per year and prizes do not exceed \$50,000 per year. Smaller raffles. Bingo conducted in connection with county fair, the state fair, or a civic celebration, bingo conducted by an organization four or fewer times a year, and bingo conducted within a nursing home or by a senior citizen organization under certain conditions.

Revenue

Collections:	F.Y. 1986	\$6,380,000*
	F.Y. 1987	\$7,725,000*

* Due to 1/1/87 effective date for changes in the provision, collections for F.Y. 1986 and part of F.Y. 1987 include the pull-tab tax.

Disposition: State General Fund

Administration

Agency: Charitable Gambling Control Board

Who Pays: Licensed organizations. To qualify, the organization must be a fraternal, religious, veterans, or other nonprofit organization.

Payment Dates: On schedule which charitable gambling board will prescribe.

History of Major Changes

- 1984 -- Enacted.
- 1985 -- Exempted bingo at a nursing home or senior citizen organization under certain conditions.
- 1986 -- Pull-tabs exempted, and a separate pull-tab tax imposed.
 - Exempted lawful gambling if conducted by an organization on no more than five days per year and prizes do not exceed \$50,000 per year.

Comparison With Other States

Illinois	3% on gross proceeds.
MINNESOTA	10% on gross proceeds.
North Dakota	5% on adjusted gross proceeds.
Texas	2% on bingo gross proceeds.
Wisconsin	2% on bingo gross proceeds.

California, Iowa, Michigan, New York, and South Dakota do not have similar provisions.

PULL-TAB TAX

Minnesota Statutes, Section 349.212

Tax Base: Face resale value of all the pull-tabs in each deal less the total prizes which may be paid out for that deal. A "deal" is defined as each separate package, or series of packages, consisting of one game of pull-tabs.

Rate: 10%

Revenue

Collections: F.Y. 1987 \$3,182,000*

* Collections for pull-tab tax included with charitable gambling tax prior to 1/1/87.

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Licensed distributor.

Payment Dates: 25th of the month following the month of the sale.

History of Major Changes

1986 -- Enacted. Separate pull-tab tax replaced the charitable gambling tax on pull-tabs.

PARI-MUTUEL TAXES

Minnesota Statutes, Section 240.15

Tax Base: Total amount bet in pari-mutuel horse racing pools at a licensed racetrack; paid admissions to a licensed racetrack.

Rates: Calendar year cumulative daily bets --

Up to \$48 million:

1.75% -- State General Fund

0.5% -- Minnesota Breeders Fund

Over \$48 million:

6% -- State General Fund

1% -- Minnesota Breeders Fund

40 cents per paid admission -- State General Fund

Revenue

Collections: F.Y. 1986 \$5,442,000
F.Y. 1987 \$7,483,000

Disposition: General Fund and Minnesota Breeders Fund (see above).

Administration

Agency: Minnesota Racing Commission

Who Pays: Any licensed racetrack.

Payment Date: Within seven days of date tax collected.

History of Major Changes

1982 -- Minnesota Constitution amended to allow pari-mutuel betting on horse races.

1983 -- Enacted.

Comparison With Other States

California License fee of 1.5% to 7.5% imposed on total pari-mutuel handle.

Illinois Cook County: 2% of daily handle. Downstate: 1% on first \$400,000 each day and 2% of excess. Additional tax on multiple wagering pools. Admission tax of 15 cents per person.

Iowa 6% imposed on the gross sum wagered.

Michigan 6% of total daily handle, 5% in less populated counties. Lower rates in certain situations.

MINNESOTA See rates above.

New York Thoroughbred: Generally 2% on regular and multiple wagering pools and 7.25% on exotic wagering pools; Standard bred: varies by track from 1.25% to 10.25%; 4% admissions tax.

North Dakota Pari-mutuel betting was authorized by the Legislature in 1987, but rates have not yet been established.

South Dakota Greyhound: tax of 3% to 7% of total accumulated daily handle for racing season; Horse: 2.25% to 3% of daily handle.

Texas does not have legal pari-mutuel betting. The Wisconsin constitution was recently amended to allow pari-mutuel betting.

GROSS EARNINGS TAXES
Minnesota Statutes, Chapters 294 and 295

Tax Base: Gross receipts from operation of certain businesses.

Rates:

Rural Electric Cooperatives -- 10 cents per 100 members
Taconite Railroads -- 3.75% (Repeal effective in 1990)

Telephone and Telegraph:

	Telephone		Telegraph
	Rural Subscribers and Cities of the Fourth Class	All Other Business	
1988	4.0%	7.0%	6.0%
1989	3.0%	5.5%	6.0%
1990	1.5%	3.0%	4.5%
1991	1.0%	2.5%	3.0%
1992	-0-	-0-	1.5%
1993	-0-	-0-	-0-

* The telephone gross earnings tax is phased out, with repeal by 1992. It will be replaced by a property tax, beginning with taxes payable in 1990. The telegraph gross earnings tax is phased out, with repeal by 1993.

Revenue

Collections:	Telephone & Telegraph	Taconite Railroad	Rural Co-ops
F.Y. 1986	\$56,281,000	\$1,189,000	\$42,000
F.Y. 1987	\$114,905,000	\$862,000	\$44,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

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

Payment Dates:

Telephone -- Annual return due April 15. Quarterly payments of estimated tax.

Telegraph -- Annual return due March 1. Quarterly payments of estimated tax.

Rural Electric Companies -- March 1

Taconite Railroad -- September 1 and March 1 for prior 6 months earnings.

History of Major Changes

	Original Enactment	Current Rates Enacted
Rural Electric Companies	1939	1939
Taconite Railroad	1955 (5%)	1986
Telegraph	1887 (2%)	1987
Telephone	1887 (2%)	1987

Comparison With Other States*

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

* The comparative information for the various states was too lengthy to include herein. If more information is desired, contact the Tax Research Division at the Minnesota Department of Revenue.

INSURANCE PREMIUMS TAXES

Minnesota Statutes, Sections 60A.15, 60A.198,
69.54, and 299F.21

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

Rates:

- 2.0% -- Domestic and foreign companies' premiums.
- 5.0% -- Underwriting profit on ocean marine insurance.
- 3.0% -- Surplus line agents.
- 0.5% -- Fire marshal tax on fire premiums.
- 2.0% -- Surcharge on fire premiums for property located in cities of the first class.

Revenue

Collections:	F.Y. 1986	F.Y. 1987
	\$97,193,000	\$107,092,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

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 marshal tax of 0.375% adopted.
- 1934 -- 2% surcharge on fire premiums enacted.
- 1937 -- Fire marshal tax increased to 0.5%.
- 1953 -- 5% ocean marine profits tax enacted.
- 1981 -- Estimated tax changed from quarterly payments to three payments per year.
- 1986 -- Payment schedule modified for some companies.

- 1987 -- Exemptions removed from domestic mutual insurance companies, cooperative life and casualty companies, and premiums paid to Workers' Comprehensive Reinsurance Association and the Minnesota Comprehensive Health Insurance Association.
- Eliminated the credit for payments to the Minnesota Comprehensive Health Association.

Comparison With Other States

Premiums Tax Rate

California	2.35%.
Illinois	2% on foreign companies.
Iowa	2%.
Michigan	2% to 3% on foreign companies.
MINNESOTA	See rates above.
New York	0.8% to 1.2%.
North Dakota	2% for life insurance; 1.25% for accident and sickness insurance; 1.25% for all other insurance.
South Dakota	2.5% on domestic companies with credit given for regional or home office located in the state; 1.25% annuity tax on foreign companies; 2.5% premium tax on foreign companies; 0.5% fire marshal tax.
Texas	1.1% to 2.5% for life, accident and health insurance depending on percentage of assets invested in state. 1.2% to 3.5% for property and casualty insurance. Temporary 20% surtax through 12/31/89.
Wisconsin	2% on foreign casualty and life and domestic fire insurance companies; 2.375% on foreign fire insurance; 0.5% on foreign marine insurance; 2% or 3.5% of gross investment income on domestic life insurance.

SEVERANCE AND TONNAGE TAXES

MINERAL TAXATION

Mineral taxation in Minnesota consists of royalty, occupation, production, net proceeds, and property taxes on certain types of minerals. The property taxes and the production tax are described in the Local Tax Section; the remaining taxes are described separately in the sections that follow.

ROYALTY TAXES

Minnesota Statutes, Section 299.01 and 299.013

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

Rates:
Through tax year 1989:

Resource	Tax Rate
Iron Ore, Taconite, Semi-taconite, and Iron Sulphides	Statutory rate: 14% Minimum effective rate: 5.75%
Copper-Nickel	1% plus 1% of royalties paid on silver, gold, platinum and other precious metals.

Beginning in tax year 1990: Tax repealed

Credits: The royalty tax is reduced by the labor credit which makes the net effective tax rate equal to the net effective occupation tax rate.; less mine credit.

Special Provision: The Minnesota Constitution places a ceiling on the total amount of occupation, royalty, and excise taxes paid annually by each taconite mining company. The provision will expire in 1989.

Revenue

Collections:	Iron Ore	Taconite	Other
F.Y. 1986	\$415,000	\$3,715,000	\$ 3,000
F.Y. 1987	\$244,000	\$ 2,146,000	\$ 4,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

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.
 1964 -- Taconite Amendment to the Minnesota Constitution adopted by the voters, which restricts the total amount of occupation, royalty, and excise taxes paid by taconite companies. It expires in 1989.
 1967 -- Copper-nickel royalties taxed at 1%.
 1971 -- Royalty tax on taconite 15%; iron ore increased to 15.5%.
 1984 -- Conformed effective rate to that of occupation tax.
 1985 -- Rate on taconite and iron ore reduced to 14% by 1987.
 1987 -- Royalty taxes repealed, and payers of royalties required to withhold income tax on royalties paid, beginning in 1990.

Comparison With Other States

None of the comparison states imposes a separate tax on mineral royalties.

OCCUPATION TAXES

Minnesota Statutes, Section 298.01

Tax Base: Iron ore and taconite concentrates -- Value of minerals mined or produced in the state as reduced by certain statutory and non-statutory deductions.

Other ores -- taxable income.

Rates:

Iron ore and taconite concentrates -- 14% with a minimum effective rate of 5.75%. Beginning in 1990, same as other ores.

Other ores -- occupation tax is imposed on taxable income in the same manner and at the same rates as the income tax or franchise tax.

Credits:

Iron ore and taconite concentrates -- A credit is allowed for labor which may reduce the effective tax rate to 5.75%. Other credits are allowed for research, experimentation and exploration, and pollution control. A loss mine credit and a discount credit are allowed against the iron ore occupation tax.

Special Provision: The Minnesota Constitution places a ceiling on the total amount of occupation, royalty, and excise taxes paid annually by each taconite mining company. The provision will expire in 1989.

Revenue

Collections:	Iron Ore	Taconite
F.Y. 1986	\$531,000	(\$ 961,000)
F.Y. 1987	\$190,000	\$ 3,418,000

Disposition:

State General Fund	50%*
Elementary and secondary schools	40%
University of Minnesota	10%

- * Of this amount, an amount equal to the yield of a 1 cent per ton production tax is appropriated to the Iron Range Resources and Rehabilitation Board.

Administration

Agency: Minnesota Department of Revenue

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.
 1964 -- Taconite Amendment to the Minnesota Constitution adopted by the voters, which restricts the total amount of occupation, royalty, and excise taxes paid by taconite companies. It expires in 1989.
 1971 -- Occupation tax on taconite 15%; minimum rate 6.75%. Occupation tax on iron ore 15.5%; minimum rate 14%.
 1984 -- Reduced rate to 15% for natural iron ores.
 1985 -- Reduced rate on taconite and iron ore to 14% by 1987.
 1987 -- On ores other than taconite and iron ore, tax changed to be same as the income or franchise tax. Beginning in 1990, tax on taconite and iron ore changed in a similar manner.

Comparison With Other States

	Resource	Rate
Michigan	Natural gas	5% of gross market value.
	Crude oil	6.6% of gross market value.
	Crude oil (from stripper wells)	4% 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	6.5% of market value. (4% for secondary and tertiary recovery wells and new wells.)

South Dakota	Mineral products	2% gross yield; 8% of net 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 concentrates	5 cents per ton handled.
	Petroleum products	5 cents per ton processed

California, Illinois, Iowa, and New York do not impose an occupation tax.

PRODUCTION TAX - See Local Tax Section

NET PROCEEDS TAX

Minnesota Statutes, Section 298.015

Tax Base: Net proceeds from mining or extracting mineral and energy resources in Minnesota.

Rate: 2%

Exemptions: Sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, soil, iron ore, and taconite concentrates.

Computation: Gross proceeds from the sale less allowable deductions.

Revenue

Disposition:

Resources mined outside the taconite tax relief area: State General Fund

Resources mined within the taconite tax relief area:

City or town where the resources are mined or extracted	5%
Taconite municipal aid account	10%
School district where the resources are mined or extracted	10%
Qualifying group of school districts	20%
County where the resources are mined or extracted	20%
Distributed as taconite homestead credit	20%
Iron Range Resources and Rehabilitation Board	5%
Northeast Minnesota Economic Protection Trust Fund	5%
Taconite Environmental Protection Fund	5%

Administration

Agency: Minnesota Department of Revenue

Who Pays: Companies that mine or extract the resources subject to tax.

Payment Date: June 15 for the previous calendar year.

History of Major Changes

1987 -- Enacted, effective with calendar year 1987.

IN LIEU OF PROPERTY TAXES

MOTOR VEHICLE REGISTRATION TAX

Minnesota Statutes, Chapter 168

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

Rates:

- Passenger cars, pick-up trucks, and vans -- \$10 plus 1.25% of base value based on the age of the vehicle. Minimum tax -- \$35. Flat tax for vehicles over ten years old -- \$35.
- Trucks, tractors, and buses -- based on the type, weight, and age of the vehicle. A minimum tax applies to each type of vehicle.

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. 1986	\$223,307,000
	F.Y. 1987	\$241,749,000

Disposition: Highway User Tax Distribution Fund

Administration

Agency: Minnesota Department of Public Safety

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

Payment Dates: When first registered to use the public streets and annually thereafter when reregistered.

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.
- 1986 -- Increased rates on certain vehicles.
- 1987 -- Exempted vehicles owned by nonprofit charities used to transport handicapped persons for educational purposes.

Comparison With Other States

	Passenger Cars	Commercial Vehicles
California	\$22 registration fee plus additional \$1 fee plus license fee of 2% of market value.	Annual weight fees are assessed on two-axle trucks and buses ranging from \$8 for vehicles under 3,000 lbs. to \$400 if over 14,000 lbs. Motor vehicles with 3 or more axles, and any trailer, range from \$28 for vehicles over 2,000 lbs. to \$660 for those weighing over 15,000 lbs.
Illinois	\$48 .	Fees for truck and commercial vehicles based on weight.
Iowa	1% of value plus 40 cents/100 lbs.	Trucks -- \$45 (\$35 if model is 10 years old) first 6,000 lbs. up to \$1,695 on 40 tons plus \$80 per ton over 40 tons. Trailers -- \$6 under 1,000 lbs. \$10 for 1,000 lbs. and over. Semi-Trailers - \$10.
Michigan	\$24-\$90 based on weight for models through 1983. \$30 and up based on list price for 1984 and later models.	Under 5,000 lbs. -- \$34-\$44 5,000-8,000 lbs. -- \$38-\$218 Over 8,000 lbs. -- \$316-\$2,072
MINNESOTA	See rates above.	
New York	\$12 -- \$65 based on weight.	\$2.50 per 500 lbs. on trucks and trailers. \$1.05 per 100 lbs. on tractors.
North Dakota	\$26 -- \$251 based on weight and age of vehicle.	\$27 first 4,000 lbs. up to \$1,769 for over 102,000 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	\$40.50 - \$58.50, \$25 plus 60 cents per 100 lbs.	Motor Buses -- \$25 plus 44 cents-88 cents per each 100 lbs., and 99 cents per 100 lbs. for over 31,000 lbs. Trailer or semi-trailers -- \$25 plus 33 cents-66 cents per 100 lbs. up to 17,000 lbs. and 72 cents per 100 lbs. for over 17,000 lbs.
Wisconsin	\$25	\$30 first 4,500 lbs. up to \$1,682 for up to 80,000 lbs.

AIRFLIGHT PROPERTY TAX

Minnesota Statutes, Section 270.072

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

Rates: Mill rate is determined annually to yield the statutorily specified revenue.

Major Exemptions: Commuter airlines electing to be taxed under the aircraft registration tax.

Computation:

Value of airflight property, as determined by the Minnesota Department of Revenue

times: apportionment factor - average of the three factors of tonnage of passengers and freight, equated plane hours, and revenue ton miles

equals: Minnesota value

times: assessment ratio, according to the following schedule:
40% for quiet aircraft, as defined
70% for other flight property
50% of above rates for flight property of an airline company using primarily turboprops and has scheduled passenger service to three or more small or medium sized communities.

equals: assessed value

times: mill rate - determined by dividing the statutorily specified revenue by the total assessed value

equals: airflight property tax

Revenue

Collections:	F.Y. 1986	\$4,807,000
	F.Y. 1987	\$6,205,000

Disposition: State Airports Fund.

Administration

Agency: Minnesota Department of Revenue

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 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 included for aircraft weighing less than 30,000 lbs.
- 1987 -- One assessment ratio of 33 1/3% replaced by schedule of ratios.
 - Use of statewide average property tax mill rate replaced by revenue yield for each year specified by statute and mill rate determined therefrom

Comparison With Other States

In general, states that tax air flight property use the average property tax rate statewide. California, New York, and North Dakota do not impose a property tax on airflight property.

AIRCRAFT REGISTRATION TAX

Minnesota Statutes, Section 360.531

Tax Base: Value of noncommercial aircraft which regularly use the airspace over, and the airports in, Minnesota.

Rate: 1% of value. The value begins with the base price, and after the first year it is reduced for depreciation -- 10% in the second year and 15% for the third and each succeeding year, subject to the minimum tax. The minimum tax is the greater of 25% of the tax computed on the original base price or \$50.

Major Exemptions: Aircraft of the civil air patrol; government-owned aircraft.

Revenue

Collections:	F.Y. 1986	\$1,310,000
	F.Y. 1987	\$1,570,000

Disposition: State Airports Fund

Administration

Agency: Minnesota Department of Transportation

Who Pays: Anyone who registers noncommercial aircraft in Minnesota.

Payment Dates: When the aircraft is first registered and annually thereafter on July 1.

History of Major Changes

- 1945 -- Enacted.
- 1957 -- Exempted civil air patrol.
- 1987 -- Minimum tax increased to \$50.

Comparison With Other States

Michigan Aircraft weight tax of 1/2 cent per pound.

The other states do not impose the tax.

HAZARDOUS WASTE GENERATOR TAX

Minnesota Statutes, Section 115B.22

Tax Base: Volume and destination of hazardous waste generated.

Rates: Long-term containment without treatment: 32 cents per gallon of liquid or \$32 per cubic yard of solid.

Long-term containment after treatment: 16 cents per gallon of liquid or \$16 per cubic yard of solid.

Land treatment: \$32 per cubic yard.

Other treatment: 8 cents per gallon of liquid or \$8 per cubic yard of solid.

Exemptions: Hazardous waste destined for recycling or reuse; used crankcase oil; hazardous waste generated as a result of any response action; hazardous waste discharged to public sewage treatment works which meets pretreatment standards; hazardous waste generated as residue from a hazardous waste incineration facility that treats waste subject to taxation.

Revenue

Collections:	F.Y. 1986	\$1,017,000
	F.Y. 1987	\$1,066,000

Disposition: Environmental Response, Compensation and Compliance Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Any person generating hazardous waste and required to disclose such generation under the hazardous waste rules of the Minnesota Pollution Control Agency.

Payment Dates: Quarterly declarations of estimated tax required on March 15, June 15, September 15, and December 15 if tax expected to exceed \$1,000. Annual return due April 15.

History of Major Changes

- 1983 -- Enacted.
- 1984 -- Exemption for hazardous waste generated as residue from a hazardous waste incineration facility.

Comparison With Other States

California, Iowa, and New York impose taxes or fees on various categories of hazardous waste. The comparative information was too complicated and lengthy to include herein. If more information is desired, contact the Tax Research Division in the Minnesota Department of Revenue.

METROPOLITAN SOLID WASTE LANDFILL FEE

Minnesota Statutes, Section 473.843

Tax Base: Amount of solid waste disposed of at a solid waste disposal facility in the metropolitan area.

Rate: 50 cents per cubic yard.

Exemption: Waste residue from energy and resource recovery facilities at which solid waste is processed for the purpose of extracting, reducing, converting to energy, or otherwise separating and preparing solid waste for reuse is exempt from one-half of the tax if at least 85% of the volume of the solid waste is reduced.

Revenue

Collections:	F.Y. 1986	\$3,210,000
	F.Y. 1987	\$3,262,000

Disposition:		
Landfill Abatement Fund		50%
Metropolitan Landfill Contingency Action Fund		50%

Administration

Agency: Minnesota Department of Revenue

Who Pays: Operators of mixed municipal solid waste disposal facilities in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties.

Payment Dates: 20th day of the month, for the previous month.

History of Major Changes

1984 -- Enacted.

Comparison With Other States

None of the comparison states impose a solid waste fee.

UNEMPLOYMENT INSURANCE TAX

Minnesota Statutes, Sections 268.03 to 268.24

Tax Base: A wage base of \$11,200 in 1987 and \$11,700 in 1988.

Rates: The standard rate for new employers is 2.8% in 1987. Experience ratings will vary the rate actually paid, which can be from 1% to 7.5% in 1987 and from 0.8% to 8.0% in 1988. The rate for new construction employers is 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 of a church.

Revenue

Collections:	F.Y. 1986	\$352,331,000
	F.Y. 1987	\$372,733,000

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

Agency: Minnesota Department of Jobs and Training

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.
- 1982 -- \$8,000 base for 1% adopted. Tax base of 60% of average annual wage adopted.
- 1987 -- \$8,000 base removed. Minimum and maximum rates changed. Solvency surtax beginning in 1989 if trust fund below certain levels.

Comparison With Other States

State	Standard Rate*	Basis
California	3.4%	First \$ 7,000
Illinois	3.9 ^a	First \$ 8,500
Iowa	2.3 ^b	First \$12,000
Michigan	2.7 ^c	First \$ 9,500
MINNESOTA	2.8 ^d	First \$11,200
New York	2.7 ^e	First \$ 7,000
North Dakota	3.25 ^f	First \$11,000
South Dakota	3.5	First \$ 7,000
Texas	2.7 ^g	First \$ 8,000
Wisconsin	3.6 ^h	First \$10,500

* For new employers. Experience ratings determine actual rate paid in subsequent years.

- a. Plus four industry rates ranging from 4.0% to 5.2.%
- b. 9.0% for construction employers.
- c. 4.0% for construction employers.
- d. 7.5% for construction employers.
- e. Plus 1% subsidiary tax to cover potential negative balances.
- f. Maximum rate for employers with negative reserve.
- g. Industry rate if higher.
- h. 7.2% for construction employers.

PROPERTY TAXES AND IN LIEU OF PROPERTY TAXES

GENERAL PROPERTY TAX

Minnesota Statutes, Section 272.01

Tax Base: Assessed value of real and personal property.

Computation:

Market value - determined by county assessor, except for state-assessed property.

times: classification ratio(s) - determined by type of property, as listed in tables below.

equals: assessed value

times: mill rate - aggregate of county, city or town, school district, and any special taxing districts

equals: gross tax

minus: credits (listed in the order in which they are subtracted from gross tax)

- small business property tax transition credit (payable 1988 only)
- disaster credit
- wetlands credit (repealed beginning with payable 1989)
- native prairie credit (repealed beginning with payable 1989)
- powerline credit
- agricultural preserves credit
- enterprise zone credit
- state school agricultural credit - replaced with exemption amount beginning with payable 1989
- state paid homestead credit
 - For 1988 - 54% of gross tax, with a maximum credit of \$700.
 - Beginning with 1989 - replaced with exemption amount. Retained for agricultural homesteads at 52% of gross tax, with a maximum credit of \$700.
- taconite homestead credit
- supplemental homestead credit

equals: net tax

TAXES PAYABLE 1988

Class and Type of Property	Ratio
Class 1a Nonagricultural homestead	
First \$68,000 market value	17%
Over \$68,000 market value	27%
Class 1b Homestead of blind and disabled (Nonag.)	
First \$34,000 market value	5%
Next \$34,000 market value	17%
Over \$68,000 market value	27%
Homestead of blind and disabled (Ag.)	
First \$33,000 market value	5%
Next \$33,000 market value	14%
Over \$66,000 market value	18%
Class 1c Small homestead resorts	12%
Class 2a Agricultural homestead	
First \$66,000 market value	14%
Over \$66,000 market value	18%
Class 2b Timberland	18%
Class 2c Agricultural nonhomestead	18%
Class 3a Commercial and industrial	
First \$60,000 market value	28%
Over \$60,000 market value	43%
Class 3b Employment property	20% - 38.5%
Class 3c Vacant land	40%
Class 4a Nonhomestead residential, four or more units, including private hospitals	34%
Class 4b Utility personal property	33 1/3%
Class 5a Nonhomestead residential, three or fewer units, including fraternity or sorority housing	28%
Class 5b Type I and II apartments	
Building	25%
Land	34%
Class 5c Manufactured homes not elsewhere classified	28%
Class 6a Seasonal recreational residential	21%
Class 6b Qualifying real property of a nonprofit community service organization	21%
Class 7a Structure qualifying under Title II or Minnesota Housing Finance Agency for elderly or for low or moderate income families	20%
Class 7b Structure qualifying as Section 8 housing	20%
Class 7c Structure used for housing the elderly or for low and moderate income families financed by the Farmers Home Administration and located in a municipality of less than 10,000	10%
Class 7d Up to one acre of qualifying land and improvements owned by a neighborhood real estate trust	20%
Class 8 Electric distribution lines and other equipment used to supply electricity to farmers at retail.	5%
Class 9a Unmined iron ore	50%
Class 9b Low recovery iron ore	30% - 48.5%
Class 10 All property not included in any other class.	43%

TAXES PAYABLE 1989

Class and Type of Property	Ratio
Class 1 Nonagricultural homestead	
First \$68,000 market value	37%
Over \$68,000 market value	60%
Class 2a Agricultural homestead	
First \$66,000 market value	30%
Over \$66,000 market value	40%
Class 2b Agricultural nonhomestead land; timberland	40%
Class 3a Commercial and industrial	
First \$80,000 market value	60%
Over \$80,000 market value	96%
Class 3b Employment property	45% - 86%
Class 4a Nonhomestead residential, four or more units, including private hospitals	70%
Class 4b Property	60%
Nonhomestead residential, three or fewer units;	
Fraternity or sorority housing;	
Manufactured homes, not elsewhere classified; and	
Agricultural nonhomestead dwelling	
Class 4c Property	50%
Structure qualifying under Title II or Minnesota Housing Finance Agency for low or moderate income families;	
Structure qualifying as Section 8 housing;	
Up to one acre of qualifying land and improvements owned by a neighborhood real estate trust;	
Seasonal recreational residential; and	
Qualifying real property of a nonprofit community service organization.	
Class 4d Property	30%
Small homestead resorts;	
Structure used for housing the elderly or for low and moderate income families financed by the Farmers Home Administration and located in a municipality of less than 10,000; and	
First \$34,000 market value of homestead of blind or disabled.	
Class 5 All property not included in any other class	96%

Major Exemptions: Real property - Indian lands; public property used for public purposes; educational facilities; religious and charitable institutions; cemeteries; attached machinery. Personal property - household goods; commercial and industrial personal property; farm machinery and livestock; agricultural products.

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 (city or town, county, school district, and any special taxing districts).

The statewide average mill rate for taxes payable in 1987 was 111 mills. After the deduction of all credits, the net rate was 87 mills. (A mill is \$1 for each \$1,000 of taxable value.)

Property Tax Refund: Homeowners and renters receive property tax relief based on the relationship of the property tax on the home or applicable tax on the apartment and total household income. This relief is paid directly to the individual by the state.

In order to be eligible for the refund, a person's property tax must be more than a specified percentage of household income. Above that level, the state will pay a percentage of the tax, up to a maximum refund. The percent of income, percent of state payment, and maximum refund depend upon the income of the claimant. As the claimant's income increases, the amount the state pays decreases. Eligibility for the property tax refund is limited to claimants with incomes under \$35,000.

A homeowner subtracts the homestead credit from the gross property tax refund to determine the net refund amount.

Revenue

Collections (millions):

Year	Gross Taxes Payable	Home- stead Credit*	Agri- cultural Credit	Other Credits	Prop. Tax Refund	Net Taxes Paid
1986	\$3,084.0	\$586.1	\$126.1	\$ 2.4	\$156.1	\$2,213.3
1987	3,277.3	609.2	115.6	2.1	115.2	2,435.2

* 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.

Administration

Agencies: County assessor, county auditor, county treasurer. Minnesota Department of Revenue -- equalization of values and valuation of state-assessed properties.

Who Pays: All owners of property not specifically exempt.

Payment Dates: First half of real estate tax is due by May 15th. Second half of real estate tax is due by October 15th (November 15th for owners of agricultural land).

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 -- Reclassified lakeshore property not used for commercial purposes.
- 1961 -- Indian lands exempt from taxation.
- 1967 -- Homestead credit enacted.
 - Senior citizen property tax credit enacted.
 - State government property tax levy eliminated.
 - Livestock and agricultural machinery exempted from personal property tax.
 - Manufacturers granted option to exempt either tools and machinery considered as personal property or inventories.
 - Adoption of county assessor system.
 - Adoption of "Minnesota Agricultural Property Tax Law" providing for assessment based on current use rather than best use for agricultural property to foster preservation of agricultural lands.
 - Portion of agricultural homestead considered as the homestead for tax purposes increased from first 40 acres to first 80 acres.
- 1969 -- Taconite homestead credit enacted.
 - 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 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 amount (\$550).
- Classification ratios for homestead and certain other property reduced.
- Portion of agricultural homestead property considered as the homestead for tax purposes increased from 160 acres to 240 acres.
- Agricultural mill rate credit increased.
- Lowered assessment rate for multi-unit structures used exclusively to provide housing for low income persons.
- Enacted a property tax credit for owners of property crossed by high voltage electric transmission lines (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 citizens' 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.
- 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 business 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.
- Removed 240-acre limit for agricultural homesteads.
- 1984 -- Classification ratio for commercial-industrial property reduced.
- Agricultural credit increased.
- Repealed rent capitalization for agricultural valuation purposes.
- Provided for a targeting credit for taxes payable in 1985.
- Provided for exemption of hydropower facilities leased from governmental units.
- Local option tax relief authorized in cases where homesteads are destroyed.
- Provided state reimbursement for transit levy differentials in metro area.
- 1985 -- Maximum homestead credit increased to \$700.
- Agricultural credit increased and maximum credit eliminated.
- Classification ratios changed for some types of property.
- Classes of property reorganized and renumbered.
- 1986 -- Owners of agricultural land allowed a one-month grace period for the payment of the second half of their property tax.
- 1987 -- Small business property tax transition credit enacted for 1988 only.
- Reduced classification ratios for nonagricultural homestead property.
- Income maintenance disparity aid enacted.
- Eliminated exemptions for specified types of leased property on airport property owned by a local unit of government or the Metropolitan Airport Commission.
- Eliminated exemption for distillery facilities.
- Transferred duties of the Equalization Aid Review Committee to the commissioner of revenue.
- Beginning with taxes payable in 1989:
 - Replaced the homestead credit on nonagricultural property and the agricultural credit with exemptions. Local units of government reimbursed through the homestead credit replacement aid and the agricultural credit replacement aid.
 - Restructured the property tax classification system reducing the number of classes and increasing the classification ratios.
 - Tax base adjustment aid enacted.
 - Repealed the native prairie credit and the wetlands credit.
 - Exempted electric power distribution lines used to supply electricity to farmers at retail.
 - Reduced maximum increase in levy limits from 5% to 3%.

Comparison With Other States

General rate comparisons cannot be made due to the complex and differing property tax systems among states. For comparison purposes, the table below uses effective tax rates for 1985 calculated by the Advisory Commission on Intergovernmental Relations on existing single family homes with F.H.A. insured mortgages.

State	Effective Average Property Tax Rate
California	1.08%
Illinois	1.57
Iowa	1.96
Michigan	2.27
MINNESOTA	1.04
New York	2.38
North Dakota	1.26
South Dakota	1.96
Texas	1.36
Wisconsin	1.99

TREE GROWTH TAX

Minnesota Statutes, Section 270.32

Tax Base: Five 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 nonproductive forests are taxed at 5 cents per acre or 15 cents per acre for noncompliance with the reforestation agreement. Permanently nonproductive types are taxed at 5 cents per acre.

Credit: For each acre of land planted and maintained with at least 500 commercial trees, the owner is eligible for an annual credit of 50 cents per acre. The credit is applied against taxes on other lands within the same governmental subdivision and is allowed for ten years.

Special Provisions: The tree growth tax is in lieu of all other property taxes. The owner must apply to, and receive approval from, the county to have qualifying forest lands come under this tax.

Revenue

Collections:	F.Y. 1986	\$396,000
	F.Y. 1987	\$381,000

Disposition: Distributed in the same manner as the property tax.

Administration

Agencies: County auditor, county board.

Who Pays: Those who receive county board approval to have their forest lands so taxed.

Payment Dates: Annually at the same time as the property tax.

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

Minnesota Statutes, Section 88.50

Tax Base: Any 35 acres or more of land that is suitable for forestation or any wood lot containing 5 to 40 acres.

Rates: Land tax -- annual tax of 10 cents per acre. Yield tax -- 40% to 10% of value of timber, the rate determined by the year of the harvest in relation to the contract period.

Special Provisions: This tax is in lieu of all other property taxes. The land is made an auxiliary forest upon the owner's application, subject to county board approval. Auxiliary forest tax applies for the duration of the contract. No new auxiliary forest contracts are allowed, or existing contracts extended, after June 30, 1974.

Revenue

Collections:	F.Y. 1986	\$61,000
	F.Y. 1987	\$20,000

Disposition: Proceeds are credited to the funds of the affected taxing districts (county, city or town, school district, any special district) in the same proportion as if the property tax had been levied.

Administration

Agencies: County auditor, county board.

Who Pays: Those who received county board approval on or before June 30, 1974, to have their lands designated auxiliary forests.

Payment Dates: Land tax -- annually by May 31. Yield tax -- at time of harvest.

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. Land tax was 8 cents per \$1 of land's assessed value. Yield tax was 10% of the value of marketable timber.

- 1929 -- Land tax changed to 5 cents per acre of auxiliary forest land.
 1945 -- Size of land plot changed to any 35 acres or more and wood lots between 5 and 40 acres. Rate changed to 6 cents per acre.
 1947 -- Yield tax graduated between 40% and 10% depending on year of harvest.
 1957 -- Rate changed to 10 cents per acre.
 1974 -- Prohibited new auxiliary forest contracts from being issued and existing contracts from being extended, effective after June 30, 1974.

MINING PRODUCTION TAXES

Minnesota Statutes, Sections 298.24, 298.35, and 298.61

Tax Base: Extracted tonnage of taconite and iron sulphides, semi-taconite and copper-nickel ores. For taconite, iron sulphides, and semi-taconite, it is tonnage of merchantable ore concentrate produced. For copper-nickel, it is tonnage of copper-nickel ore to be concentrated.

Rates:

Taconite and Iron Sulphides - \$1.90 per ton applicable to the average production of the current year and the previous two years. Beginning with production year 1988, the rate will be increased annually by the implicit price deflator. However, the increase will not go into effect in 1988 if production is more than 34 million tons.

Semi-Taconite - Sintered in Minnesota: 5 cents per gross ton plus 0.1 cents for each 1% that the iron content exceeds 55%. Sintered outside Minnesota: 10 cents per gross ton of crude ore plus 0.1 cent per gross ton for each 0.5% that the iron content exceeds 55%. The last production of semi-taconite was in 1979.

Copper-Nickel - Base rate is 2.5 cents per gross ton of crude ore plus 10% of the base tax per ton for each 0.1% that the average copper-nickel content per ton of ore 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. No production of copper-nickel has occurred to date.

Special Provision: Additional tax of 10 cents per ton of taconite tailings produced which are not deposited on land in accordance with specified permits. Currently the tax is not imposed because tailings are deposited in accordance with such permits.

Revenue

Collections:	C.Y. 1986	\$65,092,000
	C.Y. 1987	\$48,657,782

Disposition: The taconite production tax is distributed as follows:

	Tax Proceeds Per Taxable Ton
Taconite cities and towns	2.5 cents
Taconite Municipal Aid Account	12.5 cents
Taconite school districts:	
In which taconite was mined or quarried or concentrate produced	5.5 cents

Qualifying group of districts	22.0 cents
Taconite Referendum Fund	Formula amount
Counties	
Taconite counties	13.0 cents*
Taconite counties road and bridge funds	3.5 cents*
Taconite homestead property tax relief	22.0 cents*
Iron Range Resources and Rehabilitation Board (IRRRB)	3.0 cents**
Range Association of Municipalities and Schools	0.2 cents
Northeast Minnesota Economic Protection Trust Fund	1.5 cents*

Each city, town, school district, and county receive the amount it received from the taconite railroad gross earnings tax in 1977.

The IRRRB receives the amount of occupation tax it received in 1977.

Remaining proceeds after above distribution:

Taconite Environmental Protection Fund	2/3
Northeast Minnesota Economic Protection Trust Fund	1/3

* Increased From 1979 to 1987 by the steel mill products index and in 1988 and subsequent years by the implicit price deflator.

** Increased from 1981 to 1987 by the steel mill products index and in 1988 and subsequent years by the implicit price deflator.

Proceeds of any production tax derived from copper-nickel and semi-taconite would be distributed to the state general fund and to the various taxing districts in which copper-nickel or semi-taconite is located as follows:

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

Administration

Agencies:

Minnesota Department of Revenue - determination of liability and distribution.

Eligible counties - collection and distribution to local units.

Iron Range Resources and Rehabilitation Board - collection of its share.

Who Pays: Mining companies pay the production tax in lieu of the property tax on the land, buildings, and equipment used in connection with taconite mining, quarrying, or production.

Payment Dates: For the preceding calendar year, 90% of the tax payable by February 15th. Balance payable by April 15th.

History of Major Changes

- 1881 -- Tonnage tax on iron ore of 1 cent per ton imposed.
- 1897 -- Tonnage tax on iron ore repealed and replaced by ad valorem tax.
- 1941 -- Taconite production tax of 5 cents per ton imposed.
- 1959 -- Production tax on semi-taconite enacted.
- 1969 -- Taconite production tax increased to 11.5 cents per ton.
- 1971 -- Additional production tax of 4 cents to 14 cents per ton imposed.
- 1975 -- Taconite production tax increased by 39 cents per ton.
- 1977 -- Taconite production tax increased to \$1.25 per ton with tax index based on the price of steel.
- 1984 -- Index frozen for two years and converts to implicit price deflator for production year 1987. Credit for construction of water filtration plant enacted.
- 1985 -- Taconite production tax paid to the counties and the IRRRB. Distribution of proceeds modified.
- 1986 -- Rate reduced from \$2.05 to \$1.90 per ton. Indexing of rate suspended under certain conditions. Distribution of proceeds modified.
- 1987 -- Indexing of rate eliminated for 1987. Distribution modified.

Comparison With Other States

	Resource	Rate
California	Crude oil and natural gas	Per barrel charge or uniform rate per thousand cubic feet.
MINNESOTA	Taconite	\$1.90 per ton, indexed.
North Dakota	Coal	75 cents per ton plus 2 cents per ton for lignite research.
Texas	Sulphur Cement	\$1.03 per long ton. \$.0275 per CWT.

Iowa, Illinois, Michigan, New York, South Dakota, and Wisconsin do not impose a production tax.

SEVERED MINERAL INTERESTS TAX

Minnesota Statutes, Section 273.165

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

Rates: Annual rate of 25 cents per acre or portion thereof 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:	C.Y. 1986	\$528,000
	C.Y. 1987	\$424,000

Disposition: 80% of the proceeds are distributed in the same manner as the property tax. The remaining 20% is deposited in the state general fund and credited to the Indian business loan account.

Administration

Agency: County

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

Payment Dates: Annually at the same time as the property tax.

History of Major Changes

- 1973 -- Enacted.

UNMINED TACONITE TAX

Minnesota Statutes, Section 298.26

Tax Base: Taconite or iron sulphides in a forty-acre tract of land from which the production of iron ore concentrate is less than 1,000 tons in that year.

Rates: Local mill rate times assessed value (43% of market value) of the taconite or iron sulphides. Maximum tax of \$10 per acre.

Revenue

Collections:	C.Y. 1986	\$397,000
	C.Y. 1987	\$310,000 (Estimate)

Disposition: Distributed in the same manner as the property tax.

Administration

Agency: County

Who Pays: Owners of taconite mineral interests.

Payment Dates: Annually at the same time as the property tax.

History of Major Changes

- 1941 -- Enacted at \$1 per acre maximum.
- 1977 -- Increased to \$10 per acre maximum.

LOCAL SALES AND EXCISE TAXES

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.*

	Rate	Tax Base
Bloomington:	5%	Transient lodging
	5%	Liquor and beer
	3%	Admission to spectator events
Cook County:	2%	Transient lodging in towns of Lutsen, Tofte, and Schroeder.
Duluth:	1%	State sales tax base
	1%	Certain food and beverages
	5%	Transient lodging
Minneapolis:	0.5%	State sales tax base
	3%	Transient lodging
	6%	Transient lodging -- more than 50 rooms
	3%	Admissions, amusements
	3%	Liquor and beer (downtown, on-sale only)
	3%	Restaurant food (downtown)
Rochester:	3%	Transient lodging
	1%	State sales tax base
	\$20	Per motor vehicle sold at retail
St. Cloud:	5%	Transient lodging
	1%	Certain food and beverages
St. Paul:	3%	Transient lodging
	5%	Transient lodging -- 50 or more rooms
Scott County:	25 cents	Per paid admission to a large place of amusement

* Not all authorized taxes are currently imposed. All cities and towns are now authorized to impose up to a 3% tax on transient lodging for tourism promotion.

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

Revenue

Collections:*

	F.Y. 1987
Bloomington	\$3,370,000
Duluth	6,287,000
Minneapolis	7,851,000
Rochester	6,262,000
St. Cloud	367,000
St. Paul	1,301,000

Disposition: Local governments.

* Collection amounts for other selected cities are available from the Department of Revenue, Tax Research Division.

Administration

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

Who Remits: Holders of city sales tax permits.

Due Dates: The 20th 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.
- 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.
- 1985 -- Extended to towns the authority to impose a local lodging tax of up to 3% for tourism promotion.
- 1986 -- Minneapolis is authorized to impose the following new taxes related to convention center funding: 1) "piggyback" sales and use taxes of 0.5%; 2) a 3% sales tax on liquor and beer (downtown only); 3) an additional 3% lodging tax on facilities with more than 50 rooms; and 4) a 3% sales tax on restaurant food (downtown only).
-- St. Paul is authorized to impose an additional 2% tax on transient lodging facilities with 50 rooms or more. At least 95% of the proceeds must be used to fund a convention bureau.
-- To pay for development of the former Metropolitan Stadium site, Bloomington is authorized to impose a 1% "piggyback" sales tax within a designated special district. The city is also authorized to impose a 5% tax on transient lodging and a 5% sales tax on liquor and beer.
-- St. Cloud is authorized to fund a possible convention center by imposing: 1) a 1% sales tax on certain food and beverages; and 2) an additional 2% lodging tax.
- 1987 -- Bloomington authority to impose a 1% general sales tax repealed.
-- Cook County transient lodging tax in certain towns authorized.
-- Scott County admission tax authorized.

LOCAL GROSS EARNINGS TAXES

Minnesota Statutes, 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:

Utility companies tax:

Minneapolis	C.Y. 1986	\$10,032,000
St. Paul	C.Y. 1986	\$14,524,000

Disposition: Local revenue funds.

Administration

Agency: Local units of government

Who Pays: Utilities and trust companies.

Payment Dates:

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

SAND AND GRAVEL OCCUPATION TAX

Minnesota Statutes, Section 298.75

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

Rates: 10 cents per cubic yard or 7 cents per ton of aggregate material.

Revenue

Collections: Counties collect tax.

Disposition:	County road and bridge fund	60%
	City or town for roads and bridges	30%
	Restoration of abandoned pits	10%

Administration

Agency: County

Who Pays: Those removing aggregate material from pits or deposits in these counties: Stearns, Benton, Sherburne, Carver, Scott, Dakota, LeSeuer, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mah-nomen, Clay, Becker, Wilkin, Big Stone, Sibley, Hennepin, Washington, and Ramsey.

Payment Dates: Quarterly.

History of Major Changes

From 1961-1979, seven counties had received authority to impose this tax through special legislation.

- 1980 -- Gave all counties the option of imposing such tax at county discretion.
- 1982 -- Uniform rate and proceed disposition provisions enacted and extended the tax to all "aggregate materials."
- 1983 -- Extends tax on aggregate materials to importers as well as operators. Specifies 26 counties subject to tax.
- 1984 -- Exempted certain counties from requirement to impose tax.

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 proportion of state tax revenues is 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 to provide only a general description of the state-local fiscal system; 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 in two payments on July 15th and December 15th.

Homestead Credit Aid -- The amount of homestead credit is subtracted from the tax statement, and the taxpayer pays only the net amount. The state reimburses school districts, county, city and town governments, and special taxing districts for the tax relief provided homestead property. Beginning with taxes payable in 1989, the credit is replaced by an exemption amount and replacement aid, except for agricultural homesteads.

Attached Machinery Aid (including School District Attached Machinery Aid) -- Reimbursements are made each year to certain school districts and county governments for lost revenue due to the exemption of ponderous machinery and equipment from real property taxation.

School Agricultural Credit -- Aid is paid to school districts for the credit which is allowed to agricultural land, timberland, and noncommercial seasonal recreational residential property. Beginning with taxes payable in 1989, it is replaced by an exemption amount and replacement aid.

Police and Fire Aid -- Aid is given to qualifying municipal fire departments, independent nonprofit fire fighting corporations, county sheriff departments, and municipal police departments.

All Other Aids -- Includes wetlands credit and reimbursement, native prairie credit and reimbursement, agricultural preserves credit, insurance surcharge aid and reduced assessment credit and enterprise zone credit.

WELFARE AIDS

A combination of federal, state, and county funds are used to finance public welfare payments.

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 (MSA) -- 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, MSA, or Medical Assistance.

Emergency Assistance -- Cash assistance for families with children.

Preadmission Screening/Alternative Care Grants -- This program pays for: 1) screening people who are entering nursing homes; and 2) the cost of alternative forms of care (provided the cost does not exceed the cost of nursing home care).

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. Beginning with fiscal year 1989, the formula is modified and renamed the "general education aid."

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.

Secondary Vocational Aid -- The state pays a percentage of specified costs for vocational education programs.

HIGHWAY AND MASS TRANSIT AID

Highway and transit aid is financed primarily from the highway fuels excise taxes and motor vehicle license fees. It is distributed through the following funds:

County State Aid Highway Fund -- The formula for distributing 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.

Transit Assistance - Funds paid to the Regional Transit Board for the metropolitan area and to non-metropolitan transit assistance.

The level of state funding in F.Y. 1987 for the various aid categories is indicated as follows:

Local Aids

Local Government Aid	\$ 310,931,000
Homestead Credit Aid	582,106,000
Supplementary Homestead Credit	344,000
Attached Machinery Aid	3,218,000
Agricultural Credit	126,356,000
Police and Fire Aids	28,677,000
Other Aids	17,148,000
	\$1,068,780,000

Welfare Aids

AFDC	\$ 114,740,000
Minnesota Supplemental Aid	18,794,000
Medical Assistance	453,624,000
General Assistance	39,551,000
Work Readiness Grants	10,512,000
Emergency Assistance	340,000
General Assistance Medical Care	67,789,000
Alternative Care Grants	6,818,000
	\$ 712,168,000

Education Aids

Foundation Aid	\$872,271,000
Transportation Aid	81,295,000
Special Education Aid	143,549,000
Secondary Vocational Aid	19,815,000
Teacher Retirement	226,862,000
Other Aids	64,943,000
	\$1,408,735,000

Transportation Aids

County	\$179,441,000
Municipal	44,454,000
Transit Assistance	24,990,000
	\$248,885,000

A general comparison of fiscal year 1987 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 \$5,499.1 Million	
Other Taxes \$707.7 Million	
Severance and Gross Earnings \$229.0 Million	
Motor Fuels \$357.0 Million	
Corporation Income and Bank Excise \$423.0 Million	
Sales and Use \$1,470.4 Million	
Individual Income \$2,312.0 Million	
	Local Aids \$3,594.7 Million
	Property Tax Refund \$156.1 Million
	Transportation Aid \$248.9 Million
	Welfare Aids \$712.2 Million
	Local Aids \$1,068.8 Million
	Education Aids \$1,408.7 Million

Local Aids -- $\frac{\$3,594.7 \text{ million}}{\$5,499.1 \text{ million}} = 65\%$
 Net State Tax Collections --

MINNESOTA STATE TAX COLLECTIONS
NET AFTER REFUNDS

	F.Y. 1986	F.Y. 1987	
		Amount	% of Total
Individual Income Tax	\$1,948,595,000	\$2,312,043,000	42.04%
Reciprocity	15,951,000	21,425,000	.39
Corporate Income Tax	326,124,000	403,649,000	7.34
Bank Excise Tax	41,187,000	19,351,000	.35
Estate, Inheritance & Gift taxes	15,319,000	21,602,000	.39
General Sales & Use Tax	1,360,789,000	1,470,363,000	26.74
Motor Vehicle Excise Tax	207,566,000	225,367,000	4.10
Motor Fuels Taxes	336,268,000	356,984,000	6.50
Alcoholic Beverage Taxes	51,506,000	54,576,000	.99
Cigarette Tax	97,700,000	109,026,000	1.98
Tobacco Products Tax	3,932,000	3,426,000	.06
Controlled Substances Tax	-0-	65,000	*
Charitable Gambling and Pull-tab Taxes	6,380,000	10,907,000	.20
Pari-mutuel Taxes	5,442,000	7,483,000	.14
Telephone & Telegraph Gross Earning Taxes	56,281,000	114,905,000	2.09
Taconite Railroad & Other Gross Earnings Taxes	1,231,000	906,000	.02
Insurance Premiums Taxes	97,193,000	107,092,000	1.95
Hazardous Waste Tax	1,017,000	1,066,000	.02
Solid Waste Tax	3,210,000	3,262,000	.06
Mining Occupation Taxes	(430,000)	3,608,000	.07
Mineral Royalty Taxes	4,133,000	2,442,000	.04
Motor Vehicle Reg. Tax	223,307,000	241,749,000	4.40
Airflight Property Tax	4,807,000	6,205,000	.11
Aircraft Registration Tax	1,310,000	1,570,000	.03
Total State Tax Collections	\$4,808,818,000	\$5,499,072,000	100.00%

* Less than .005%

MINNESOTA LOCAL TAX COLLECTIONS

	1986	1987
General Property Tax - net after credits*	\$2,369,400,000	\$2,550,400,000
Tree growth tax*	396,000	381,000
Auxiliary forest tax*	61,000	20,000
Taconite production tax*	65,092,000	48,658,000
Severed mineral interests tax*	528,000	424,000
Unmined taconite tax*	397,000	310,000
Sales Taxes**		
Bloomington	2,079,000	3,370,000
Duluth	5,758,000	6,287,000
Minneapolis	2,552,000	7,851,000
Rochester	6,239,000	6,262,000
St Cloud	156,000	367,000
St Paul	727,000	1,301,000
Utility companies gross earnings taxes***		
Minneapolis	10,032,000	
St Paul	14,524,000	

* Shown by year payable

** Fiscal year figures

*** Calendar year figures

**ADDENDUM TO
THE MINNESOTA TAX HANDBOOK
1987 EDITION**

Major tax law changes enacted during the 1988 Legislative Session are included in this supplement to the Minnesota Tax Handbook, 1987 Edition, which was published in January 1988. The changes are listed by tax, with page references to the 1987 Edition. Following the tax law changes are tables showing the current individual income tax rates and the property tax capacity rates and a table of fiscal 1988 state tax collections.

A new tax handbook will be published after the 1989 Legislative Session.

**Minnesota Department of Revenue
Tax Research Division**

History of Major Changes:

Individual Income Tax, Page 6

- 1988 — Rate schedules and surtax modified: married-separate returns, estates, and trusts subject to a separate rate schedule instead of the single persons rate schedule; qualifying surviving spouses allowed to use married-joint rate schedule; and surtax based on Minnesota taxable income instead of a percentage of the federal surtax.
- Subtractions enacted for: income of the elderly and disabled, up to a maximum amount based on income; recovery of previously-taxed contributions to individual retirement accounts, Keogh plans, and certain government plans; and unrecovered accelerated cost recovery system amounts. Subtraction for income from sales by insolvent farmers re-enacted.
 - Elderly and disabled persons credit repealed.

Corporation Franchise Tax, Page 11

- 1988 — Nexus rules modified.
- Dividend received deduction reduced from 80% to 70% if the recipient owns less than 20% of the payer's stock; 80% retained for others. Additional 20% deduction if recipient owns 80% or more of payer's stock eliminated.
 - Deduction for 35% of foreign royalties repealed. Deduction enacted for foreign source income (royalties, fees and other like income) of foreign operating corporations of 50% for 1989 and 1990 and 80% for 1991 and after.
 - Charitable contribution deduction allowed for a portion of contributions to non-Minnesota foundations.
 - Minimum tax based on federal minimum tax beginning in 1990 changed from an alternative tax to an add-on tax.
 - Single factor apportionment for mail order firms made permanent and qualifications modified.

Sales and Use Tax, Page 16

- 1988 — Exemptions enacted for: purchases by the University of Minnesota, state universities, community colleges, technical institutes, state academies, and the University of Minnesota hospitals; nonprescribed analgesics; used motor oil; cross country ski passes; and bullet-proof vests.
- Out-of-state retailers required to register and collect the Minnesota use tax if specified conditions are met.

Motor Vehicle Excise Tax, Page 17

- 1988 — Disposition of the tax changed beginning with fiscal year 1989; general fund, 70%; highway user tax distribution fund, 22.5%; and transit assistance fund, 7.5%.
- Flat tax of \$90 on collector vehicles enacted in lieu of the 6% tax.
- Exemption enacted for motor vehicles used by certain schools in automotive training.

Motor Fuels Taxes, Page 19

- 1988 — Rate of highway gasoline and special fuels tax increased from 17 cents to 20 cents per gallon, effective May 1, 1988.
- Railroad and barge motor fuels tax that was enacted in 1987 repealed retroactive to enactment date.
- Annual user permit fees for compressed natural gas increased and extended to vehicles using propane in lieu of highway fuels tax.

Alcoholic Beverage Taxes, Page 22

- 1988 — Small brewers' credit increased to \$4.60 per barrel, with a maximum of \$115,000, effective June 1, 1987.

Controlled Substances Tax, Page 26

- 1988 — Tax on controlled substances not sold by weight changed to \$400 on each ten dosage units.

Charitable Gambling Tax, Page 29

- 1988 — Tipboards exempted and made subject to the same tax as pull-tabs.

Pull-Tab Tax, Page 30

- 1988 — Tipboards made subject to the same tax as pull-tabs.

Pari-Mutuel Taxes, Page 31

- 1988 — The taxes were changed to: 6% of the takeout (amount withheld from all pari-mutuel pools by the licensee) to go to the state general fund; and 1% of the total amount bet on each racing day to go to the Minnesota breeder's fund. The 40 cents tax per paid admission eliminated, replaced by the 6% sales tax on the price of admission.

Gross Earnings Taxes, Page 32

- 1988 — Telegraph gross earnings tax changed to 4% for 1990, 2% for 1991, and repealed for 1992 and thereafter.
- Correction: Tax rate for rural electric cooperatives is \$10 (not 10 cents) per 100 members or fraction thereof.

Insurance Premiums Taxes, Page 34

- 1988 — Tax rate for certain domestic mutual insurance companies other than life reduced from 2% to 1.5% for 1988, to 1% for 1989 through 1991, and to 0.5% for 1992 and after.
- 1988 — Premiums received by the writing carrier for the Minnesota Comprehensive Health Association re-exempted.

Royalty Taxes, Page 36

- 1988 — Effective date of the repeal of royalty tax on copper-nickel and precious metals changed from tax year 1990 to tax year 1987.

General Property Tax, Page 55

- 1988 — Homestead credit reinstated for 1989 only and maximum increased from \$700 to \$725.
- Agricultural credit reinstated for 1989 only but no longer applicable to seasonal recreational property.
- System of classification ratios and mill rates replaced by system of tax capacity rates which are applied to market value.
- Disparity reduction aid for high tax rate areas enacted.
- Property tax refund modified.
- Beginning with taxes payable in 1990, the homestead credit and the agricultural credit are replaced by the transition aid which will reduce the gross tax by a similar amount.
- "Truth in Taxation" system enacted, beginning with taxes payable in 1990.

Mining Production Taxes, Page 60

- 1988 — The distribution of the taconite production tax to homestead property tax relief reduced from 22 cents to 12 cents per ton.

**Individual Income Tax Rate Schedules, Page 1
Tax Year 1988 Through 1990***

Married-Joint Returns and Surviving Spouses

<u>Taxable Income</u>	<u>Rate (or Amount)</u>
\$1 — \$19,000	6.0%
19,001 and over	8.0%
Plus Surtax:	
\$75,501 — \$165,000	0.5%
\$165,001 and over	\$447.50

Married-Separate Returns, Estates, and Trusts

<u>Taxable Income</u>	<u>Rate (or Amount)</u>
\$1 — \$9,500	6.0%
\$9,501 and over	8.0%
Plus Surtax:	
\$37,751 — \$82,500	0.5%
\$82,501 and over	\$223.75

Single Persons

<u>Taxable Income</u>	<u>Rate (or Amount)</u>
\$1 — \$13,000	6.0%
\$13,001 and over	8.0%
Plus Surtax:	
\$42,701 — \$93,000	0.5%
\$93,001 and over	\$251.50

Heads of Households

<u>Taxable Income</u>	<u>Rate (or Amount)</u>
\$1 — \$16,000	6.0%
16,001 and over	8.0%
Plus Surtax:	
\$64,301 — \$135,000	0.5%
\$135,001 and over	\$353.50

*Beginning with tax year 1991, the income brackets will be adjusted annually for inflation.

Property Tax Capacity Rates, For Taxes Payable in 1989, Page 51

Fiscal Year 1988
Minnesota State Tax Collections
Net After Refunds

	Tax Capacity Rate		FY 1988 Collections	
	Gross	Net	Amount	% of Total
Residential Property				
Blind and disabled homestead				
First \$32,000 market value (MV)	0.87%	0.40%		
Homestead				
First \$68,000 MV	2.17	1.00		
\$68,00 — \$100,000 MV	2.50	2.50		
Over \$100,000 MV	3.30	3.30		
Nonhomestead — three or fewer units	3.50	3.50		
Agricultural Property				
Blind and disabled homestead				
First \$32,000 MV	0.87	0.40		
Homestead				
House, garage, and one acre				
First \$65,000 MV	1.75	0.805		
Over \$65,000 MV	2.20	2.20		
Balance — First 320 acres				
First \$65,000 MV	1.75	1.12		
Over \$65,000 MV	2.25	1.44		
Balance — Over 320 acres				
First \$65,000 MV	1.75	1.295		
Over \$65,000 MV	2.25	1.665		
Nonhomestead				
House, garage, and one acre	2.70	2.70		
Balance	2.25	1.665		
Timberland	2.25	1.665		
Commercial, Industrial, and Utility Property				
First \$100,000 MV	3.30	3.30		
Over \$100,000 MV	5.25*	5.25*		
Employment Property				
	4.80	4.80		
Rental Property				
Apartments — four or more units, including private hospitals	4.10	4.10		
Type I and Type II structures — five or more stories	3.50	3.50		
Fraternity and sorority housing	3.50	3.50		
Farmers Home Administration buildings	1.50	1.50		
Structures: Title II, Minnesota Housing Finance Agency, Sec. 8, & low-income housing under IRC Sec. 42	2.50	2.50		
Neighborhood real estate trust	2.50	2.50		
Seasonal Recreational Property				
Small homestead resorts	0.90	0.90		
Other resorts	2.60	2.60		
Noncommercial (cabins)	2.30	2.30		
Nonprofit Community Service Organization				
Property	2.60	2.60		
Other				
Public utility personal property	4.60	4.60		
Unmined iron ore; low recovery iron ore; vacant land; and all other property	5.25	5.25		
			Individual income tax	\$2,625,287,000 43.00%
			Reciprocity	18,421,000 .30
			Corporation franchise tax	410,994,000 6.73
			Estate, inheritance, and gift taxes	13,234,000 .22
			General sales and use tax	1,678,540,000 27.49
			Motor vehicle excise tax	235,927,000 3.86
			Motor fuels excise taxes*	391,684,000 6.42
			Alcoholic beverage taxes	55,745,000 .91
			Cigarette tax	150,207,000 2.46
			Tobacco products tax	5,671,000 .09
			Controlled substances tax	291,000 **
			Charitable gambling and pull-tab taxes	15,347,000 .25
			Pari-mutuel taxes	6,099,000 .10
			Telephone and telegraph gross earnings taxes	99,906,000 1.64
			Taconite railroad and other gross earnings taxes	1,453,000 .02
			Insurance premiums taxes	126,765,000 2.08
			Hazardous waste tax	1,361,000 .02
			Solid waste tax	3,062,000 .05
			Mining occupation taxes	2,927,000 .05
			Mineral royal taxes	2,437,000 .04
			Motor vehicle registration tax	251,235,000 4.12
			Airflight property tax	7,536,000 .12
			Aircraft registration tax	1,522,000 .03
			Total State Tax Collections	\$6,105,651,000 100.00%

*Includes highway, aviation, railroad, and barge.

**Less than .005%.

*The 5.25% is reduced to 5.2% for 1991 and to 5.15% for 1992 taxes and after.