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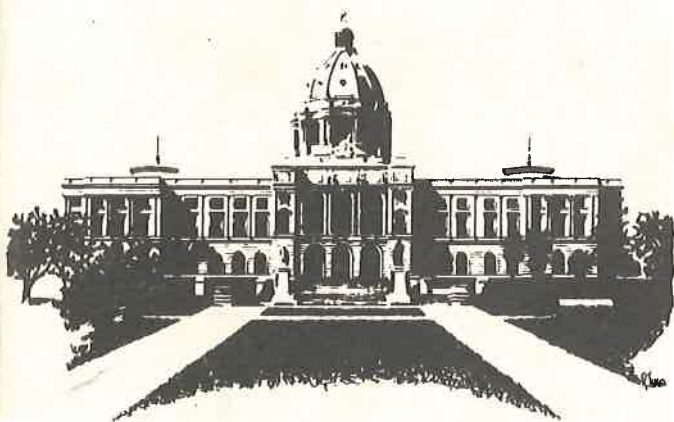
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esota

Tax Handbook

*A Profile of State and
Local Taxes in Minnesota*

1992 Edition



OTA DEPARTMENT OF REVENUE
Tax Research Division

January 1993

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The *Minnesota Tax Handbook* provides general information on Minnesota state and local taxes.

Questions regarding the application of a tax to an individual's or business's specific situation should be directed to:

Minnesota Department of Revenue
Taxpayer Information Division
Mail Station 4450
St. Paul, Mn 55146-4450

Individual income tax and property tax refund
(612) 296-3781 from the Twin Cities area or
1-800-652-9094 (toll free) from elsewhere

Sales tax and corporate franchise tax
(612) 296-6181 from the Twin Cities area or
1-800-657-3777 (toll free) from elsewhere

Property tax questions on a given property should be directed to the county in which the property is located, at these offices:

County assessor - valuations, assessments
County auditor - tax rates, computation of the tax
County treasurer - payment, property tax statement

MINNESOTA TAX HANDBOOK

A Profile of State and Local Taxes in Minnesota 1992 Edition

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

The tax provisions include changes enacted in the 1992 legislative session.

Please note:

- collection amounts are net collections after refunds.
- the history sections show major changes by the year enacted, not the effective date.

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

Minnesota Department of Revenue
Tax Research Division
Mail Station 2230
St. Paul, MN 55146-2230
(612) 296-3425

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STATE TAXES

INCOME AND ESTATE TAXES

INDIVIDUAL INCOME TAX

Minnesota Statutes, Section 290.03

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

Rates:

Rate Schedules for Tax Year 1992*

Married-Joint Returns and Surviving Spouses

<u>Taxable Income</u>	<u>Rate</u>
\$1 - \$ 20,960	6.0%
20,961 - 83,300	8.0%
83,301 and over	8.5%

Married-Separate Returns, Estates, and Trusts

<u>Taxable Income</u>	<u>Rate</u>
\$1 - \$ 10,480	6.0%
10,481 - 41,650	8.0%
41,651 and over	8.5%

Single Persons

<u>Taxable Income</u>	<u>Rate</u>
\$1 - \$ 14,340	6.0%
14,341 - 47,110	8.0%
47,111 and over	8.5%

Heads of Households

<u>Taxable Income</u>	<u>Rate</u>
\$1 - \$ 17,660	6.0%
17,661 - 70,950	8.0%
70,951 and over	8.5%

* The income brackets are adjusted annually for inflation.

Computation:

Federal taxable income

plus: Minnesota additions

- non-Minnesota state and municipal bond interest
- federal itemized deduction for state income taxes
- capital gains portion of a lump sum distribution

minus: Minnesota subtractions

- state income tax refunds
- U.S. bond interest
- dependent education expenses (itemizers only)
- income of elderly and disabled (up to specified limits)
- railroad retirement income
- gains on farm property by insolvent farmers

equals: Minnesota taxable income

times: graduated rates - 6%, 8%, and 8.5%

equals: Minnesota gross tax*

plus: alternative minimum tax (7% of alternative minimum taxable income) in excess of the regular tax

minus: nonrefundable credits

- credit for income tax paid to other states
- alternative minimum tax carryover credit

equals: Minnesota income tax

minus: refundable credits

- dependent care credit
- working family credit (10% of federal earned income credit)
- enterprise zone credits

equals: net individual income tax payable

* Special computation applies 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 Management Account or may contribute \$1 or more by increasing their liability.

Revenue

Collections:	F.Y. 1991	\$2,974,542,000
	F.Y. 1992	\$3,144,639,000

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 — Graduated rates increased and credits replaced original exemptions.
- 1949 — Standard deduction of 10% up to \$500 established.
- 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.
- 1955 — Deduction for dependent educational expenses enacted.
- 1957 — 5% veterans' 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 nonpublic 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.
 - Senior citizen property tax freeze credit enacted.
- 1974 — Low income credit and political contribution credit adopted.
 - Dollar checkoff for Minnesota state elections campaign fund instituted.
 - Nonpublic school credit declared unconstitutional.
- 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.
- 1976 — Maximum deduction for dependent educational expenses 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 from 15% to 18%.
 - Personal credits increased to \$30 each.
 - Public pension subtraction limited to \$7,200.
 - Income-adjusted homestead credit becomes property tax refund. Senior citizen property tax freeze credit repealed.
- 1978 — 18% top rate repealed.
 - Personal credits increased to \$40.
 - Homemaker and National Guard credits allowed.
 - Pension 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 repealed.
 - Pension subtraction 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 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 net 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 equipment and resource recovery 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, 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: reducing the number of brackets to four for 1987 and to two in subsequent years; adding a schedule for heads of households; eliminating separate rate schedules for federal deductibility option; and 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.
- Political checkoff increased from \$2 to \$5.

- 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.
- Elderly and disabled persons credit repealed.
- 1989 — Dependent care credit phase-out schedule modified; income levels indexed, beginning in 1991.
- Alternative minimum tax credit enacted, beginning in 1990.
- 1991 — Rate schedules changed. Top rate stays at 8.5% rather than going down to 8% above specified income thresholds.
- Rate of alternative minimum tax increased from 6% to 7%.
- Federal changes adopted include the phase-out of the personal exemptions and the limitation of itemized deductions for higher-income taxpayers.
- Working family credit equal to 10% of the federal earned income credit enacted.
- Eligibility for dependent care credit extended to home day care providers, beginning in 1992.
- 1992 — Full deduction allowed for health insurance premiums for the self-employed, beginning with tax year 1993.
- Federal estimated tax provisions adopted, beginning with tax year 1993.
- Trusts and partnerships required to make estimated tax payments if annual tax exceeds \$500.

Comparison With Other States-Tax Year 1992

	California	Illinois	Iowa	Michigan	MINNESOTA	New York	North Dakota ^a	Wisconsin
	No	No	Yes	No	No	No	Yes	No
Federal Tax Deduction								
Standard Deduction								
Single	\$2,343		\$1,310		\$3,600 ^b	\$6,000	\$3,600 ^b	\$5,200 ^c
Joint	4,686		3,220		6,000 ^b	9,500	6,000 ^b	8,900 ^c
Married Separate	2,343		1,310		3,000 ^b	4,750	3,000 ^b	4,230 ^c
Personal Exemptions/Credits								
Single	\$62*	\$1,000	\$20*	\$2,100	\$2,300	0	\$2,300	^c
Joint	124*	2,000	40*	4,200	4,600	0	4,600 ^d	^c
Dependent	62*	1,000	15*	2,100	2,300	1,000	2,300	\$ 50*
Rates	1% to 11% on income over \$207,200	3% on taxable net income	0.4% to 9.98% on income over \$47,700	4.6% on taxable income	6% to 8.5% on income over \$47,110 single \$83,300 joint	4% to 7.875% on income over \$13,000 single, \$26,000 joint	2.67% to 12% on income over \$50,000	4.9% to 6.93% on income over \$15,000 single \$20,000 joint
Indexing	brackets, credits, standard deduction		brackets, standard deduction		brackets, standard deduction			

South Dakota and Texas do not impose personal income taxes

* Credits. All other are exemptions.

a. Amounts shown 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. Maximums decline to zero as income increases: from \$7,500 to \$50,830 single; \$10,000 to \$55,000 married-joint; \$4,750 to \$26,140 married-separate

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 older.

CORPORATION FRANCHISE TAX

Minnesota Statutes, Section 290.02

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

Rate: 9.8%

Major Exemptions:

- Charitable, religious, educational, and other organizations exempt under Subchapter F of the Internal Revenue Code (unrelated business income is taxed)
- Cooperative associations
- Credit unions
- Mining subject to the occupation tax
- Foreign insurance companies domiciled in retaliatory states
- Mutual property and casualty companies with assets less than \$1.6 billion as of 12/31/89

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
- federal capital loss deduction
- federal charitable contribution deduction
- exempt foreign trade income of a foreign sales corporation
- federal percentage depletion deduction
- amortization deduction for specified pollution control facilities
- deemed dividends from foreign operating corporations

minus: Minnesota subtractions

- foreign dividend gross up

- salary expenses not deducted federally due to federal jobs credit
- for banks, any dividend paid on their preferred stock to the federal government
- previously disallowed deductions for intangible drilling costs
- 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
- refundable enterprise zone credits included in taxable income
- state income tax refunds
- 80% of foreign source royalties, fees, etc., received within unitary group
- income or gains from mining subject to the occupation tax
- handicap access expenditures disallowed federally due to claiming the federal credit
- research expenses disallowed federally due to claiming the federal credit

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

equals: Minnesota taxable income

times: tax rate of 9.8%

equals: gross tax

- minus: nonrefundable credits
- research and development credit
 - gross premiums tax credit for insurance companies
 - alternative minimum tax carryover credit
- plus: — alternative minimum tax (5.8% of alternative minimum taxable income) in excess of regular tax
- minimum fee*

equals: tax liability

minus: refundable enterprise zone credits

equals: net corporate tax payable

* The minimum fee is in addition to the regular or alternative minimum tax and is determined by the sum of the corporation's Minnesota property, payroll, and sales as follows:

Total Minnesota Property, Payroll and Sales	Minimum Fee
Less than \$ 500,000	\$ 0
\$ 500,000 - 999,999	100
1,000,000 - 4,999,999	300
5,000,000 - 9,999,999	1,000
10,000,000 - 19,999,999	2,000
20,000,000 or more	5,000

Special Provision: A corporation may assign \$1 or more of its refund to the Minnesota Nongame Management Account or may contribute \$1 or more by increasing its liability.

Revenue

Collections:	F.Y. 1991	\$458,079,000
	F.Y. 1992	\$422,812,000

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.
- 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%.

- Feedlot pollution control credit enacted; both pollution credits set to expire after December 31, 1976.
- 1973 — Minimum tax increased to \$100.
- Destination sales basis adopted for apportionment.
- 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 million).
- 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. Exempted 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%.
- Repealed credits: technology transfer to small business; and contributions to small business assistance offices.
- 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.
- 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.
- 1989 — Unrelated business income tax imposed on exempt organizations.
- Alternative minimum tax of 7% of Minnesota alternative taxable income enacted, beginning with tax year 1990, when factors tax expires.
- Add-on minimum tax based on federal minimum tax repealed.
- Surtax imposed, beginning with tax year 1990, to yield the same total revenues as if the factors tax were in effect.
- Tax on insurance companies to be based on current Internal Revenue Code rather than 1936 Federal Revenue Act starting with tax year 1991.
- Exemptions enacted for: foreign insurance companies domiciled in retaliatory states; town and farmers' mutual insurance companies; and mutual property and casualty companies with total assets less than \$1.6 billion. Effective with tax year 1991.
- Checkoff for nongame wildlife allowed for corporations.
- 1990 — Rate increased from 9.5% to 9.8%.
- Surtax repealed (before it went into effect).
- Alternative minimum tax rate reduced from 7% to 5.8%.
- Minimum fee enacted which is in addition to the regular or alternative minimum tax. Fee from \$0 to \$5,000 is based on Minnesota property, payroll, and sales of C corporations, S corporations, and partnerships.
- Asset test for mutual property and casualty companies frozen as of 12/31/89.
- 1991 — Subtractions allowed for: federally-disallowed disabled access expenditures used for the federal credit; and federally-disallowed research expenses used for the federal credit to the extent they exceed the Minnesota credit.
- Special allocation rule for farming eliminated; farming subject to regular apportionment rules.

- 1992 — Estimated tax requirement increased from 90% to 93% in 1992 and 95% thereafter.
- Provisions to tax limited liability companies as partnerships adopted.
- Cooperatives providing housing exclusively to the elderly exempted from minimum fee.
- Requirements for mail order firms to use single factor sales modified.
- Designed county jobs credit enacted for 1993 only.

Comparison With Other States — Tax Year 1992 Income/Franchise Tax Rates

California	9.3% of net income; minimum tax of \$800. Banks: 11.007%; minimum tax of \$800. Alternative minimum tax based on the federal tax. The rate is 7%.
Illinois	4.8% 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% on first \$25,000; 8% next \$75,000; 10% next \$150,000; 12% on net income over \$250,000. Banks: 5% of net income. A minimum tax may apply.
Michigan	Single business tax: 2.35% of adjusted tax base that includes business income, compensation paid employees, interest payments, and depreciation of tangible assets. Alternative tax for small businesses: 4% of adjusted business income. Local corporate income tax may be imposed.
MINNESOTA	9.8%. Alternative minimum tax at rate of 5.8%. Plus minimum fee of up to \$5,000 based on Minnesota property, payroll, and sales.

New York	9% of net income, or 0.178% of capital, or the greater of an amount ranging from \$325 to \$1500 depending on the firm's gross payroll. Also, MTA surcharge on all business tax liabilities in the Metropolitan Transit Authority District. Additional tax on subsidiary capital of .9 mill per dollar. Alternative minimum tax of 5% of alternative net income using only a single-weighted receipts factor. Local tax on income may be imposed. Banks: 9% on net income, \$250, or 3% on alternative income, whichever is greatest or 1/10 of one mill of each dollar of taxable assets. A surcharge of 15% of tax liability after credits applies for 1992.
North Dakota	3% on 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. Franchise tax of 0.25% of capital or 4.5% of net taxable earned surplus.
Wisconsin	7.9% of net income. Temporary recycling surcharge of 5.5% of gross tax, with a minimum of \$25 and a maximum of \$9,800.

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. 1991	\$25,691,000
	F.Y. 1992	\$21,870,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Personal representative submits a return for the estate. 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 inheritance tax evasion
 - Rate 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%.
- 1981 — 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 — 1992

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

California,
Illinois,
MINNESOTA,
North Dakota,
Texas, and
Wisconsin

} 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, and South Dakota levy inheritance taxes instead of estate taxes. In addition to the inheritance tax, Iowa, and South Dakota impose an estate tax to absorb the maximum federal credit available.

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

SALES AND EXCISE TAXES

SALES AND USE TAX

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

Tax Base: Sales price of tangible personal property and taxable services sold or used in Minnesota.

Rates:*

- 6.5% General rate applicable to all taxable transactions except those listed below.
- 9% Liquor and beer, both on-sale and off-sale.
- 4.5% Special tooling.
- 2.5% Farm machinery; logging equipment.
- * Rates include 0.5% county option tax.

Major Exemptions: Sales for resale in the regular course of business; food for consumption off premises, clothing, prescribed drugs and medications, nonprescribed analgesics, gasoline and special fuels taxed under the motor fuels excise tax, publications issued at intervals of 3 months or less (except over-the-counter magazines), motor vehicles subject to the motor vehicle excise tax, materials used or consumed in agricultural or industrial production, textbooks, residential heating fuels and water services, and capital equipment for new or expanding industries.

Additional Taxes:

A flat tax of \$7.50 is imposed on the rental of a car, van, or pickup truck for less than 29 days.

A flat tax of 50¢ is imposed on each telephone call placed to 900 service numbers.

Revenue

Collections:	F.Y. 1991	\$1,965,285,000
	F.Y. 1992	\$2,198,809,000

Disposition:

State General Fund — proceeds from a rate of 4.5%

Local Government Trust Fund — proceeds from a rate of 2% (0.5% county option plus 1.5% state rate)

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 remit the tax directly.

Due Dates:

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. Due dates differ for filers required to pay via electronic funds transfer. Quarterly returns — 20th of the month following the sales quarter. Annual returns — January 20th of the year following the sales year. Annual consumer's use tax — April 15th of the following year for annual purchases of less than \$5,000.

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.
- 1973 — Accessory tools 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%.
 - 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.
 - Rate temporarily increased to 6%.
- 1983 — Rate permanently changed to 6%.
 - Additional tax on on-sale liquor reduced to 2.5% and extended to off-sale liquor.
 - Paper and ink products used to produce publications exempted.
 - Over-the-counter magazines made taxable.
 - Enacted exemption for construction materials and equipment used in enterprise zones.
 - Construction materials 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 sales 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 by 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 for 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.
 - Payment dates changed.

- 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.
- 1988 — Exemptions enacted for: sales to 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.
- 1989 — Sales tax extended to: garbage collection; telephone access charges imposed by hotels.
- Sale of lottery tickets exempted from the sales tax but subjected to a 6% gross receipts tax.
- Exemptions enacted for: capital equipment in new or expanding industries (previously taxed at 4%); sales to the state arts high school; glucose monitoring devices used by diabetics; chair lifts, ramps, and elevators in a disabled person's homestead and the building materials used for installation of such.
- Exemptions repealed for leases of motor vehicles by local governments and nonprofit organizations.
- Nexus provisions modified.
- 1990 — Exemptions enacted for: repair and replacement parts and lubricants for ships and vessels used in interstate or foreign commerce; certain long distance telephone calls made by telemarketing firms; and capital equipment in a new or expanding mining or quarrying facility.
- 1991 — Rate temporarily increased from 6% to 6.5% (7/1-12/31/91).
- Local option sales tax for counties of 0.5% enacted, beginning 1/1/92. Receipts from local option tax plus 1.5% of the 6% state tax rate deposited in the Local Government Trust Fund.
- Property used in a trade or business no longer included in the exemption for isolated or occasional sales, with certain exceptions.

- Sales tax extended to: pet boarding, except veterinary and horse boarding services; and private communication services.
- Exemptions enacted for: charges for planting trees, bushes, plants, sod, and similar items; and sales to farmers of seeds, trees, fertilizers, and herbicides in certain federal and state programs, including the Conservation Reserve Program.
- Reduced rate of 2% extended to aquaculture production equipment.
- Tax of \$7.50 imposed on the rental of a car, van, or pickup truck for less than 29 days.
- Annual use tax returns allowed for annual purchases of less than \$5,000. Return due the following April 15th.
- 1992 — General exemption for sales to local governments repealed. Still exempt are sales to school districts, hospitals and nursing homes owned and operated by local governments, certain purchases by public libraries, and medical supplies used by a publicly-owned ambulance service.
- Exemptions enacted for: large ships; photovoltaic devices; wind energy conversion systems; certain air cooling equipment; admission to artistic or cultural events sponsored by a municipal arts board; and construction materials and supplies used to build an office waste recycling facility, as specified.
- For specified situations, restricted the application of the tax on isolated or occasional sales of property used in a trade or business (modification of 1991 legislation).
- Tax of 50¢ imposed on each telephone call to 900 service numbers.

Comparison With Other States — 1992

	Rate	Local Option Sales Tax
California	7.25% ^a	Yes
Illinois	6.25%	Yes
Iowa	5.0%	Yes ^b
Michigan	4.0%	No
MINNESOTA	6.5% ^c	— ^c
New York	4.0% ^d	Yes
North Dakota	5.0% ^e	Yes
South Dakota	4.0%	Yes
Texas	6.25%	Yes
Wisconsin	5.0%	Yes ^f

- Includes 1.25% state-administered sales and use tax imposed in every county.
- Local sales tax may be imposed based on voter approval in each local jurisdiction. The rate is 1%.
- General rate. See above for other rates. Includes 0.5% state-administered county option tax which every county has adopted. No other local option general sales tax is authorized.
- Additional 0.25% rate imposed in certain counties for the benefit of the Metropolitan Commuter Transportation District.
- 3% on farm machinery, farm machinery repair parts, irrigation equipment, and new mobile homes; 7% on alcoholic beverages.
- Now used in 42 of 72 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 exempts clothing.

MOTOR VEHICLE EXCISE TAX

Minnesota Statutes, Section 297B.02

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

Rate: 6.5% (includes 0.5% state-administered county option tax imposed in all counties). Flat tax in lieu of the 6.5% tax: \$10 for passenger cars ten years or older; \$90 for collector vehicles.

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. 1991	\$236,353,000
	F.Y. 1992	\$270,062,000

Disposition:

State General Fund— proceeds from a rate of 4.5%.

Local Government Trust Fund— proceeds from a rate of 2% (0.5% county option plus 1.5% state rate).

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%. Rate increased from 3% to 4% in 1971 special session.
- 1981 — Rate temporarily increased from 4% to 5%. Portion of collections earmarked for Highway User Tax Distribution Fund and Transit Assistance Fund.
- 1983 — Rate changed to 6%. Purchase price is reduced by the amount of any federal excise 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.
- 1988 — Disposition changed.
 - 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.
- 1989 — Disposition changed.
- 1990 — Disposition changed.
 - Exemption enacted for ambulances purchased by privately-owned licensed ambulance services.

- 1991 — Rate temporarily increased from 6% to 6.5% (7/1-12/31/91)
- Local option tax for counties of 0.5% enacted, beginning 1/1/92. Receipts from the local option tax plus 1.5% of the 6% state tax rate deposited in the Local Government Trust Fund.
 - Disposition of a portion of the receipts to the Trunk Highway Fund and the Transit Assistance Fund eliminated.
- 1992 — Purchase price reduced by portion of value attributed to handicapped accessible modifications.

Comparison With Other States - 1992

	Rate
California*	7.25%-8.5% ^a
Illinois*	6.25%
Iowa*	5.0%
Michigan*	4.0%
MINNESOTA	6.5% ^b
New York*	4.0% ^c
North Dakota	5.0%
South Dakota	3.0%
Texas	6.25%
Wisconsin*	5.0% ^d

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

- a. Including local taxes, which vary by county.
- b. Includes 0.5% state-administered county option tax which every county has adopted.
- c. Additional 0.25% rate imposed in certain counties for the benefit of the Metropolitan Commuter Transportation District.
- d. Additional local tax of 0.5% imposed in 42 of 72 counties.

MOTOR FUELS EXCISE TAXES

Minnesota Statutes, Sections 296.02, 296.025, 296.026

Tax Base: Fuels used in highway vehicles, aircraft, boats, snowmobiles, and all terrain vehicles.

Rates:

Highway Fuels:

Gasoline and diesel — 20¢ per gallon

Compressed natural gas, propane, and any other fuel besides gasoline and diesel — annual fee based on vehicle weight and mileage.

Aviation Fuels: 5¢ per gallon, reduced by refund based on annual purchases.

Annual Gallons	Rate After Refund
Up to 50,000	5¢
50,001-150,000	2¢
150,001-200,000	1¢
Over 200,000	0.5¢

Credits: Taxes paid on fuel used for non-highway use, except for snowmobiles, boats, and all-terrain vehicles, may be claimed as a credit or refund. Credit of 20¢ per gallon to distributors of fuel-grade alcohol blended with gasoline to produce gasohol. The credit is 80¢ instead of 20¢ if the gasohol is sold to a governmental unit or for school transportation.

Exemptions: Petroleum substitutes produced from waste products; sales to transit systems receiving state financial assistance.

Revenue

Collections:	Highway Fuels	Aviation Fuels
F.Y. 1991	\$455,427,000	\$2,455,000
F.Y. 1992	\$462,539,000	\$2,664,000

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, propane or other alternate fuel 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. Owners of vehicles using compressed natural gas, propane, or other alternate fuel pay annual fee directly.

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

History of Major Changes

1925 — Enacted at 2¢ per gallon.

1929 — Increased to 3¢ per gallon.

1937 — Temporary increase to 4¢ per gallon.

1941 — Rate of 4¢ made permanent.

1945 — Excise tax on aviation fuel enacted at 4¢ per gallon

1949 — Increased to 5¢ per gallon.

1963 — Increased to 6¢ per gallon.

1967 — Increased to 7¢ per gallon.

1975 — Increased to 9¢ per gallon.

— Exemption enacted for petroleum substitutes produced from waste products.

1977 — Exemption enacted for purchases by transit systems owned by one or more cities or towns.

1980 — Increased to 11¢ per gallon.

— Enacted 2¢ per gallon rate reduction for gasohol.

1981 — Increased to 13¢ per gallon.

— Enacted rate reduction for certain border areas to not more than 3¢ per gallon above rate imposed in contiguous state.

1983 — Increased to 16¢ per gallon and to 17¢ effective in 1984.

— Increased the rate reduction for gasohol to 4¢.

— Enacted 8¢ per gallon rate reduction for gasohol sold to governments and schools.

— Aviation fuel rate increased from 4¢ to 5¢ per gallon.

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.

1987 — Imposed tax on railroad and barge fuels.

1988 — Increased from 17¢ to 20¢ 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.

1990 — Exemption for transit systems modified to apply to those receiving state financial assistance.

1991 — Extended requirement for obtaining an alternate fuel permit to all vehicles propelled by any method other than gasoline or diesel fuel. Previously applied only to propane and compressed natural gas.

Comparison With Other States — 1992

Rates Per Gallon

California	Highway fuels 9¢; jet fuel 2¢; LPG and LNG 6¢; compressed natural gas 7¢ per 100 cubic feet; ethanol or methanol 4.5¢.
Illinois	Gasoline 19¢; diesel fuel 21.5¢.
Iowa	Highway: gasoline 20¢; diesel fuel 22.5¢; gasohol 19¢. Aviation: gasoline 8¢; special fuels 3¢.
Michigan	Gasoline 15¢; diesel fuel 15¢*; aircraft 3¢ (interstate commerce 1.5¢).
MINNESOTA	Highway fuels 20¢; aviation fuels 0.5¢-5¢.
New York	Gasoline 8¢; diesel fuel 10¢.
North Dakota	Gasoline and special fuels 17¢; exempt special fuels 2% of sales price.
South Dakota	Gasoline and diesel highway fuel 18¢; LP gas 16¢; gasohol 16¢; aviation gas 6¢; aviation special fuel 4¢.
Texas	All fuels 20¢.
Wisconsin	All fuels 22.2¢.

* For diesel fuel there is a 6¢ discount for commercial vehicles.

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:

	Tax per Barrel of 31 Gallons	
	Beer: Alcohol by Weight	
	3.2% or less	\$2.40
	More than 3.2%	\$4.60

	Tax	
	Per Liter	Per Gallon
Distilled Spirits	\$1.33	\$5.03
Wine: Alcohol by Volume		
14% or less	\$.08	\$.30
More than 14% to 21%	.25	.95
More than 21% to 24%	.48	1.82
More than 24%	.93	3.52
Sparkling wine	.48	1.82

Credits: Small brewers receive a credit of \$4.60 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¢ 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. 1991	\$38,606,000	\$14,038,000	\$3,226,000
F.Y. 1992	\$37,772,000	\$13,615,000	\$3,252,000

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¢ per gallon of liquor; and rates for wine varying from 10¢ to 60¢ 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 4¢ to 75¢ per gallon depending on alcoholic content.
- 1971 — Rates increased: 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¢ to 30¢ 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.
- 1989 — Small brewers' credit increased to \$4.60 per barrel, with a maximum of \$115,000.

Comparison With Other States 1992

	Distilled Spirits Per Gallon	Beer Per Barrel (31 Gallons)	Wine Per Gallon	
			14% or Less	More Than 14%
California	\$3.30 ≤ 100 proof \$6.60 > 100 proof	\$6.20	\$.20	\$.20
Illinois	\$2.00	\$2.17	\$.23	\$.60
Iowa	50% markup ^a	\$5.89	\$1.75 ^a	\$1.75
Michigan	12%-13.85% of price ^b	\$6.30	\$.51 ^c	\$.76 ^c
MINNESOTA	\$5.03	\$2.40 ≤ 3.2% \$4.60 strong	\$.30	\$.95-\$3.52
New York	\$2.53 ≤ 24% \$6.43 > 24%	\$6.51	\$.19	\$.19
North Dakota	\$2.50	\$2.48 bulk \$4.96 bottles and cans	\$.50 ^d	\$.60 ^d
South Dakota	\$3.93	\$8.50	\$.93	\$1.45-\$2.07
Texas	\$2.40	\$6.00	\$.204	\$.408
Wisconsin	\$3.25	\$2.00	\$.25	\$.45
				\$.57-\$.95
				\$1.00
				\$2.07
				\$.516
				\$.25

a State monopoly on spirits marks up wholesale price by 50%. Low-proof (5% or less) wine and spirits taxed as beer.

b 12% rate applies to on-sale; 13.85% applies to off-sale.

c Rates change at 16% rather than 14%. Lower rate for Michigan-produced wine.

d Rates change at 17% rather than 14%.

CIGARETTE TAX

Minnesota Statutes, Sections 297.02 and 297.22

Tax Base: Cigarettes sold or used in Minnesota.

Rate: 48¢ per pack of 20 cigarettes.

Credits: Distributors receive a 1.0% discount on the first \$1,500,000 of stamps purchased and 0.60% on additional purchases. The discount covers tax compliance expenses.

Revenue

Collections:	F.Y. 1991	\$146,588,000
	F.Y. 1992	\$156,498,000

Disposition:

Debt service on specified bonds (paid first)
5¢ per pack — Health Care Access Fund (7/1/92-12/31/93)
2¢ per pack — Minnesota Future Resources 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¢ per pack.
1949 — Increased to 4¢ per pack.
1959 — Increased to 5.5¢ per pack.
1961 — Increased to 7¢ per pack.
1963 — Increased to 8¢ per pack.
1969 — Increased to 13¢ per pack.
1971 — Increased to 18¢ per pack.
1985 — Increased to 23¢ per pack. Disposition changed.
1986 — Accelerated June payment enacted. Payment dates changed
1987 — Increased to 38¢ per pack. Payment dates changed.
1989 — Disposition changed.
1991 — Rate increased from 38¢ to 43¢ per pack.

1992 — Rate increased to 48¢ per pack. Increase temporarily dedicated to Health Care Access Fund.

Comparison With Other States — 1992

	Rate Per Pack of 20
California	35¢
Illinois	30¢
Iowa	36¢
Michigan	25¢
MINNESOTA	48¢
New York	39¢
North Dakota	29¢
South Dakota	23¢
Texas	41¢
Wisconsin	38¢

TOBACCO PRODUCTS TAX

Minnesota Statutes, Section 297.32

Tax Base: Tobacco products, other than cigarettes, sold or used 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 tax compliance expenses.

Revenue

Collections:	F.Y. 1991	\$6,985,000
	F.Y. 1992	\$7,802,000

Disposition: State General 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.
- 1989 — Disposition changed.

Comparison With Other States — 1992

California	29.35% of wholesale price.
Iowa	22% of wholesale price.
MINNESOTA	35% of wholesale price.
New York	15% of wholesale price.
North Dakota	22% of wholesale price.
Texas	35.213% of factory list; variable rate on cigars.
Wisconsin	20% of manufacturer's list price.

Illinois, Michigan, 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 — \$400 on each ten dosage units, or portion thereof.

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

Revenue

Collections:	F.Y. 1991	\$652,000
	F.Y. 1992	\$314,000

Disposition: State General Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: A person 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.

History of Major Changes

- 1986 — Enacted.
- 1988 — Tax on dosage units not sold by weight changed to \$400 on each ten units.
- 1989 — Credit enacted for a controlled substance tax paid to another state or local government.

Comparison With Other States — 1992

	<u>Marijuana</u> <u>Per Gram</u>	<u>Controlled Substance</u> <u>Per Gram</u>	<u>Other*</u>
Illinois	\$5.00	\$250	\$2,000/50 units
Iowa	\$5.00	\$250	\$400/10 units
MINNESOTA	\$3.50	\$200	\$400/10 units
North Dakota	\$3.50	\$250	\$2,000/50 units
Texas	\$3.50	\$200	\$2,000/50 units
Wisconsin**	\$3.50	\$200	

* For controlled substance not sold by weight, tax is based on number of dosage units.

** Also: \$1,000 per marijuana plant; \$10 per gram of hallucinogenic mushrooms; and \$1,000 per gram for material containing LSD.

California, Michigan, New York, and South Dakota do not impose a separate excise tax on marijuana or controlled substances.

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¢ per \$100 of principal debt.

Exemptions: Organizations exempt from the property tax.

Revenue

Collections:	F.Y. 1991	Not available
	F.Y. 1992	\$34,390,000 (state portion)

Disposition:

State General Fund*	97%
County Revenue Fund	3%

* Deducted from AFDC expenses reimbursed by the state until 11/30/90.

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¢ per \$100 of principal debt.
1913 — Changed to 15¢ per \$100 where mortgage runs for five years or less, and 25¢ per \$100 for mortgages of more than five years.
1945 — Changed to 15¢ per \$100 on any mortgage.
1983 — Contracts for deed not subject to tax.
1985 — Disposition modified.
1987 — Rate increased to 23¢ for each \$100 of debt.
— AFDC offset increased from 95% to 97%.
1989 — Disposition changed
1991 — Reverse mortgages subject to tax.

Comparison With Other States — 1992

MINNESOTA	23¢ per \$100 of principal debt.
New York	50¢ (plus an additional 50¢ in specified situations) per \$100 of principal debt.

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:	F.Y. 1991	Not available
	F.Y. 1992	\$29,098,000 (state portion)

Disposition:

State General Fund*	97%
County Revenue Fund	3%

* Deducted from AFDC expenses reimbursed by the state until 11/30/90.

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.

GAMBLING TAXES

LAWFUL GAMBLING TAX

Minnesota Statutes, Section 349.212

Tax Base: Gross receipts of a licensed organization from lawful gambling, (bingo, raffles, and paddlewheels) less prizes actually paid out.

Rate: 10%

Exemptions: Pull-tabs and tipboards (subject to a separate tax). 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 a county fair, the state fair, or a civic celebration; by an organization four or fewer times a year; and within a nursing home or by a senior citizen organization under certain conditions.

Revenue

Collections:	F.Y. 1991	\$2,541,000
	F.Y. 1992	\$2,261,000

Disposition: State General Fund

Administration

Agencies: Minnesota Gambling Control Board - licensing and regulation.

Minnesota Department of Revenue - collection and administration of the tax.

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

Payment Date: 20th day of the month for the previous calendar month.

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.

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.
- 1989 — Disposition changed.

Comparison With Other States — 1992

California	55¢ per \$500 consideration after the first \$100 at the city or county option. Equity only subject to tax.
Illinois	50¢ per \$500 consideration.
Iowa	80¢ per \$500 consideration after the first \$500.
Michigan*	55¢ 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. For residences with consideration of \$1 million or more, an extra \$5 per \$500 of consideration.
North Dakota	No tax.
South Dakota	50¢ per \$500 consideration.
Texas	No tax.
Wisconsin	30¢ per \$100 consideration.

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

- 1988 — Tipboards exempted and made subject to the same tax as pulltabs.
 1989 — Name changed from "charitable gambling" to "lawful gambling".

Comparison With Other States

Illinois	3% of gross proceeds for charitable games, 5% of gross proceeds for bingo
MINNESOTA	10% on gross receipts less prizes.
North Dakota	5% - 20% on adjusted gross proceeds.
Wisconsin	2% on bingo gross proceeds.

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

PULL-TAB AND TIPBOARD TAX

Minnesota Statutes, Section 349.212

Tax Base: Ideal gross of each pull-tab or tipboard deal sold by a distributor. A "deal" is defined as each separate package, or series of packages, consisting of one game of pull-tabs or tipboards.

Rate: 2%

Exemption: Lawful gambling if conducted by an organization on no more than five days per year and prizes do not exceed \$50,000 per year.

Revenue

Collections:	F.Y. 1991	\$26,707,000
	F.Y. 1992	\$26,071,000

Disposition: State General Fund

Administration

Agencies: Minnesota Gambling Control Board - licensing and regulation.

Minnesota Department of Revenue - collection and administration of the tax.

Who Pays: Licensed distributors.

Payment Date: 20th of the month for the previous calendar month.

History of Major Changes

- 1986 — Enacted. Separate pull-tab tax replaced the charitable gambling tax on pull-tabs.
 1988 — Tipboards made subject to the same tax as pull-tabs.
 1989 — Tax changed from 10% of ideal net to 2% of ideal gross.
 — Payment date changed.

Comparison With Other States — 1992

Illinois	5% of gross receipts.
MINNESOTA	2% of ideal gross.
North Dakota	2% of gross receipts.

The other states do not impose a separate pull-tab or tipboard tax.

COMBINED RECEIPTS TAX

Minnesota Statutes, Section 349.212

Tax Base: Gross receipts of an organization from lawful gambling other than bingo, raffles, and paddlewheels (currently pull-tabs and tipboards).

Rate Schedule:

Fiscal Year		Tax Rate
<u>Combined Receipts</u>		
Not over	\$500,000	0%
\$500,001 - \$700,000		2%
\$700,001 - \$900,000		4%
\$900,001 and Over		6%

Exemption: Lawful gambling if conducted by the organization on no more than five days per year and prizes do not exceed \$50,000 per year.

Revenue

Collections:	F.Y. 1991	\$28,248,000
	F.Y. 1992	\$25,752,000

Disposition: State General Fund

Administration

Agencies: Minnesota Gambling Control Board - licensing and regulation.

Minnesota Department of Revenue - collection and administration of the tax.

Who Pays: Licensed organizations.

Payment Date: 20th day of the month for the previous calendar month.

History of Major Changes

1989 — Enacted, effective October 1, 1989.

PARI-MUTUEL TAXES

Minnesota Statutes, Section 240.15

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

Rates and Disposition:

State General Fund: 6% of the takeout, (17% for straight pools; 23% for multiple pools).

Minnesota Breeder's Fund: 1% of the total amount bet.

Revenue

Collections:	F.Y. 1991	\$1,624,000
	F.Y. 1992	\$1,797,000

Disposition: General Fund and Minnesota Breeder's Fund (see above).

Administration

Agency: Minnesota Racing Commission

Who Pays: Any licensed racetrack.

Payment Date: Within seven days of date tax was collected.

History of Major Changes

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

1983 — Tax enacted.

1988 — Changes made to the tax base and rates; the 40c tax per paid admission eliminated, replaced by imposing the general sales tax on the price of admission.

1989 — Pari-mutuel betting allowed on out-of-state horse races televised at a licensed racetrack on a non-racing day.

Comparison With Other States — 1992

California License fee of 1.0% 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 15c per person.

Iowa 6% imposed on the gross sum wagered.

Michigan 4.5% of total daily handle, 3.5% in counties of less than 300,000 and 6% on special sweepstakes pari-mutuel pooling wagering plus half the breaks.

MINNESOTA 6% of the takeout plus 1% of the total amount bet.

New York Thoroughbred: Generally 2.5% on regular and multiple wagering pools and 7.75% on exotic wagering pools; Standard bred: varies by track from 1.25% to 10.25%; 4% admissions tax.

North Dakota 3% on all exotic bets; 2% on win, place, show.

South Dakota Greyhound: Tax of 6% of total accumulated daily handle for racing season. Horse: 5% of daily handle.

Texas Greyhound: 2% to 5% of total daily handle; Horse: 1% to 5% of total daily handle.

Wisconsin Greyhound: 2% to 8% of daily handle; Horse: 1% to 3% of daily handle.

GROSS EARNINGS TAXES

The telephone and telegraph gross earnings taxes were repealed, effective January 1, 1992.

The taconite railroad gross earnings tax was repealed, effective December 31, 1989.

Revenue

Collections:	Telephone	Telegraph
F. Y. 1991	\$32,619,000	\$140,000
F. Y. 1992	\$17,512,000	\$140,000

Disposition: State General Fund

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.
- 0.5% — Mutual property and casualty companies with assets less than \$1.6 billion as of 12/31/89.
- 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.

Exemptions: fraternal benefit societies; nonprofit health service plan corporations; health maintenance organizations; Minnesota's comprehensive health association plan premiums; farmers' mutual and township mutual insurance companies (fire marshal tax).

Revenue

Collections:	F. Y. 1991	\$128,203,000
	F. Y. 1992	\$123,985,000

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 1, June 1, and December 1. Annual return due March 1 of the following year.

History of Major Changes

- 1868 — 2% gross premiums tax imposed on foreign insurance companies.
- 1872 — 2% gross premiums tax extended to domestic companies.
- 1895 — Retaliatory tax provisions adopted.
- 1913 — Fire marshal tax of 0.375% adopted.
- 1934 — 2% surcharge on fire premiums enacted.
- 1937 — Fire marshal tax increased to 0.5%.
- 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 Association.
 - Eliminated the credit for payments to the Minnesota Comprehensive Health Association.
- 1988 — Tax rate for certain mutual property and casualty insurance companies reduced from 2% to 1.5% for 1988, to 1% for 1989 through 1991, and to 0.5% for 1992 and after.
 - Premiums received by the writing carrier for the Minnesota Comprehensive Health Association re-exempted.
- 1989 — Reduced rate extended to mutual companies writing principally workers' compensation.
- 1990 — Companies with annual liability of \$500 or less exempted from estimated tax requirements.
 - Asset test for mutual property and casualty companies frozen as of 12/31/89.
- 1992 — Ocean marine profits tax repealed and replaced by 2% premiums tax.
 - Nonprofit health service plan corporations and health maintenance organizations subject to 1% premiums tax, beginning 1/1/96.
 - Payment dates for estimated tax changed.

Comparison With Other States - 1992

	Premiums Tax Rate
California	2.35%.
Illinois	1% to 3%.
Iowa	2%.
Michigan	2% to 3% on foreign companies.
MINNESOTA	See rates above.
New York	0.8% to 1.3%.
North Dakota	2% for life insurance, 1.75% for accident, health, property, casualty and surplus lines of insurance.
South Dakota	1.25% annuity tax; 2.5% premium tax; 0.5% fire marshal tax.
Texas	1.5% to 2.2% for life, accident, and health insurance depending on percentage of assets invested in state. 1.6% to 3.5% for property and casualty insurance.
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

This section contains the state taxes that apply only to minerals. The production tax and property taxes on minerals are found in the Local Tax Section.

ROYALTY TAXES

The royalty tax on copper-nickel and precious metals was repealed, beginning with tax year 1987.

The royalty tax on iron ore, taconite, semi-taconite, and iron sulfides was repealed, beginning with tax year 1990.

The payer of mineral royalties is required to withhold and remit to the Department of Revenue income tax on royalties paid, beginning January 1, 1990.

OCCUPATION TAX

Minnesota Statutes, Section 298.01

Tax Base: Similar to the corporate franchise tax but starting point is the value of iron ore, taconite concentrates, or other ores mined or produced in Minnesota. Deductions allowed only for expenses necessary to convert raw iron ore, taconite concentrates, or other ore to marketable quality.

Rate: 9.8%. Also subject to alternative minimum tax.

Special Provisions: Other provisions that differ from the corporate franchise tax: unitary principle not applicable; percentage depletion allowed.

Revenue

Collections:	Iron Ore	Taconite
F.Y. 1991	\$11,000	\$2,057,000
F.Y. 1992	\$32,000	\$2,008,000

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¢ per taxable ton is appropriated to the Iron Range Resources and Rehabilitation Board for specified purposes.

Administration

Agency: Minnesota Department of Revenue, Minerals Tax Division in Eveleth

Who Pays: Mining companies operating in this state.

Payment Date: May 1 for the previous year.

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 restricted the total amount of occupation, royalty, and excise taxes paid by taconite companies. It expired at the end of 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 corporate franchise tax. Beginning in 1990, tax on taconite and iron ore changed in a similar manner.
- 1989 — Tax based on the valuation of the ore. Allowed deductions specified.
- 1991 — Credit allowed for alternative minimum tax paid in a prior year.
 - Payment date changed from June 15 to May 1.
 - Seven month extension to file allowed.

Comparison With Other States — 1992

	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	Iron ore, taconite concentrates, and other ores	9.8% of taxable income
North Dakota	Crude oil and Natural gas	5% of market value. 4¢ per mcf (adjusted annually)
	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	Iron ore concentrates	5¢ per ton handled.
	Petroleum products	5¢ per ton processed.

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

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, clay, soil, iron ore, and taconite concentrates.

Computation: Gross proceeds from the sale less allowable deductions.

Revenue

Collections: No revenues from this tax have been collected as of November 1992.

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, Minerals Tax Division in Eveleth

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.

1990 — Clay exempted from the tax.

Comparison With Other States - 1992

MINNESOTA 2% of net proceeds from specified mineral and energy resources

Wisconsin Graduated rates from 3% to 15% on net proceeds from metalliferous minerals.

The other states do not impose a net proceeds tax.

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, pickup 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 units, school buses, agricultural tractors and trailers, special mobile equipment, vehicles used solely for carrying construction camp equipment or attached machinery, fire apparatus, ambulances, and vehicles not operated on highways.

Revenue

Collections	F.Y. 1991	\$331,986,000
	F.Y. 1992	\$349,872,000

Disposition: Highway User Tax Distribution Fund

Administration

Agency: Minnesota Department of Public Safety

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

Payment Dates: When first registered to use the public roads and annually thereafter when re-registered.

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.
- 1989 — Depreciation schedule modified for passenger cars, pickup trucks, and vans.
- 1990 — Exempted ambulances owned by private licensed ambulance services and vehicles used by driver education programs at nonpublic high schools.

Comparison With Other States - 1992

	Passenger Cars	Commercial Vehicles
California	\$27 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 \$560 if over 14,000 lbs. Motor vehicles with 3 or more axles and any trailer range from \$39 for vehicles from 2,000 to 3,000 lbs. to \$924 for those weighing over 15,000 lbs.
Illinois	\$48	Fees for truck and commercial vehicles based on weight.

Iowa	1% of value plus 40¢/100 lbs; \$200 for multipurpose vehicles. Taxes decline after 5 model years.	Trucks — \$65 for 3 ton or less; \$80-\$1,695 for over 3 ton; plus \$80 per ton over 40 tons. Lower rates for farm trucks. Trailers — \$6 or \$10. Semi-trailers — \$10.
Michigan	\$29-\$95 based on weight for models through 1983. \$30 and up based on list price for 1984 and later models.	Commercial pickup trucks under 5,000 lbs - \$34 to \$44. Tow trucks and trucks 8,000 lbs. or less - \$38 to \$218. Trucks towing a trailer 8,000 lbs. or less and trucks over 8,000 lbs. - \$378 to \$2,398.
MINNESOTA	See rates above	
New York	\$13.80-\$74.75 based on weight.	\$2.88 per 500 lbs. on trucks and trailers. \$1.21 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-\$40 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. Vehicles over 6,000 lbs - \$25 plus 60¢ per 100 lbs.	\$25 plus 44¢ - 88¢ per each 100 lbs. up to 31,000 lbs plus 99¢ per 100 lbs. for over 31,000 lbs.
Wisconsin	\$40	\$45 first 4,500 lbs. up to \$1,832 for over 76,000 lbs.

AIRFLIGHT PROPERTY TAX

Minnesota Statutes, Section 270.072

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

Rates: Tax rate is determined annually to yield the property tax portion of the State Airports Fund.

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

Computation:

Value of aircraft 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: tax capacity rate, 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 that has scheduled passenger service to three or more small or medium sized communities.

equals: tax capacity

times: tax rate - determined by dividing the property tax portion of the state airports fund by the total tax capacity

equals: aircraft property tax.

Revenue

Collections:	F.Y. 1991	\$7,625,000
	F.Y. 1992	\$7,961,000

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 United States Department of Transportation.

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 enacted 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 tax rate determined therefrom.
- 1992 — Revenue yield changed from statutorily specified amount to property tax portion of the state airports fund.

Comparison With Other States

In general, states that tax air flight property use the average property tax rate statewide. California, Iowa, 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 or 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.

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

Revenue

Collections:	F.Y. 1991	\$1,861,000
	F.Y. 1992	\$2,907,000

Disposition: State Airports Fund

Administration

Agency: Minnesota Department of Transportation

Who Pays: Any person 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 from \$10 to \$50.

Comparison With Other States

Michigan	Aircraft weight tax of 1¢ per pound.
MINNESOTA	1% of value.
Wisconsin	Annual fee: from \$30 for 2,000 lbs. or less to \$3,125 for more than 100,000 lbs.

The other states do not impose the tax.

RURAL ELECTRIC COOPERATIVE ASSOCIATIONS

Minnesota Statutes, Section 273.41

Tax Base: Number of members. The tax is lieu of all personal property taxes.

Rate: \$10 for each 100 members of portion thereof.

Revenue:

Collections:	F.Y. 1991	\$48,000
	F.Y. 1992	\$52,000

Disposition: State General Fund

Administration:

Agency: Minnesota Department of Revenue

Who Pays: Rural electric cooperative association

Payment Date: March 1 for the previous calendar year.

History of Major Changes

1939 — Enacted

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¢ per gallon of liquid or \$32 per cubic yard of solid.

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

Land treatment: \$32 per cubic yard.

Other treatment: 8¢ 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 pre-treatment standards; hazardous waste generated as residue from a hazardous waste incineration facility that treats waste subject to taxation.

Revenue

Collections:	F.Y. 1991	\$894,000
	F.Y. 1992	\$128,000

Disposition: Environmental Response, Compensation and Compliance Account.

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 the 15th of March, June, September, and December 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, New York, North Dakota, and Texas impose taxes or fees on various categories of hazardous waste.

METROPOLITAN SOLID WASTE LANDFILL FEE

Minnesota Statutes, Section 473.843

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

Rate: \$2 per cubic yard.

Exemption: Waste residue from recycling facilities or 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 if at least 85% of the volume of the solid waste is reduced.

Revenue

Collections:	F.Y. 1991	\$3,882,000
	F.Y. 1992	\$3,301,000

Disposition:

Metropolitan Landfill Abatement Account	75%
Metropolitan Landfill Contingency	
Action Trust Account	25%

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.

1989 — Rate increased to \$2 per cubic yard; disposition changed; exemption modified.

Comparison With Other States - 1992

California Rate determined annually.

MINNESOTA \$2 per cubic yard

North Dakota 20¢ per month from each household account; from 20¢ to \$3 per month for each commercial account based on monthly collection fee; for the largest commercial accounts, 1% of gross receipts

None of the other states imposes a solid waste fee.

UNEMPLOYMENT INSURANCE TAX

Minnesota Statutes, Sections 268.03 to 268.24

Tax Base: A wage base of \$13,300 in 1991 and \$13,800 in 1992. The base will be \$14,300 in 1993.

Rates: The standard rate for new employers was 2.0% in 1991 and is 1.9% in 1992. The rate for new construction employers was 9% in 1991 and 1992. The minimum rate was 0.1% in 1991 and 1992 and will be 0.5% in 1993. The maximum rate was 9% in 1991 and 1992 and will stay the same for 1993.

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. 1991	\$327,096,000
	F.Y. 1992	\$283,552,000

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 rates 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.
- 1985 — Standard rate set at 5.4%.
- 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 — 1992

	Standard Rate*	Wage Base
California	3.4%	\$7,000
Illinois	3.1% ^a	\$9,000
Iowa	1.06% ^b	\$12,800
Michigan	2.7% ^c	\$9,500
MINNESOTA	1.9% ^d	\$13,800
New York	5.4% ^e	\$7,000
North Dakota	2.8%	\$12,200
South Dakota	2.1%	\$7,000
Texas	2.7% ^f	\$9,000
Wisconsin	3.05% ^g	\$10,500

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

- a. Plus four industry rates ranging from 3.3% to 4.2%.
- b. 7.46% for construction employers.
- c. 6.7% for construction employers.
- d. 9% for construction employers.
- e. Subsidiary contributions required if general account balance falls below \$120 million.
- f. Industry rate if higher.
- g. 4.4% for construction employers.

MINNESOTACARE TAXES

The financing package for the 1992 health care access law (MinnesotaCare) included new taxes that are described in this section: the hospital tax; the health care provider tax; and the wholesale drug distributor tax. It also included a temporary dedication of a 5¢ per pack increase in the cigarette tax (7/1/92 - 12/31/93) and 1% premiums tax on health maintenance organizations and nonprofit health service plan corporations to take effect in 1996.

HOSPITAL TAX

Minnesota Statutes, Section 295.52, Subd. 1

Tax Base: Gross revenues from inpatient and outpatient services.

Rate: 2%

Exemptions: Medicare payments; medical assistance payments; general assistance medical care payments; payments received from hospitals and health care providers subject to this tax; MinnesotaCare program payments; home health care services; services provided by nursing homes and in supervised living facilities; and government, foundation, or other grants or donations.

Revenue

Collections: Tax effective on 1/1/93

Disposition: Health Care Access Fund

Administration:

Agency: Minnesota Department of Revenue

Who Pays: Resident hospitals and surgical centers; nonresident hospitals and surgical centers for services provided to Minnesota residents.

Payment Dates: Monthly estimated tax payments due by the 10th of the following month. Annual return due on March 15 for the previous calendar year.

History of Major Changes

1992 — Enacted, effective 1/1/93.

HEALTH CARE PROVIDER TAX

Tax Base: Gross revenues

Rate: 2%

Exemptions: Medicare payments; medical assistance payments; general assistance medical care payments; payments received from hospitals and health care providers subject to this tax; MinnesotaCare program payments; home health care service; services provided by nursing homes and in supervised living facilities; and government, foundation, or other grants or donations.

Revenue

Collections: Tax effective on 1/1/94

Disposition: Health Care Access Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Resident health care providers; nonresident health care providers for services to Minnesota residents. A health care provider is a vendor qualifying for medical assistance reimbursement, including physicians, dentists, health maintenance organizations, specialty hospitals and facilities, health practitioners, chiropractors, optometrists, medical transportation providers, and retail firms selling medical devices and supplies or optical goods.

Payment Dates: Quarterly estimated tax payments due on the 15th of April, July, October, and January. Annual return due on March 15 for the previous calendar year.

History of Major Changes

1992 — Enacted, effective on 1/1/94

WHOLESALE DRUG DISTRIBUTOR TAX

Minnesota Statutes, Section 295.52, Subd. 3 and 4

Tax Base: Gross revenues from the sale or distribution of prescription drugs that are delivered in Minnesota. A use tax is imposed on drugs received for resale or use in Minnesota by a person other than a wholesale drug distributor.

Rate: 2%

Revenue

Collections: Tax effective on 1/1/94

Disposition: Health Care Access Fund

Administration

Agency: Minnesota Department of Revenue

Who Pays: Wholesale drug distributors or other persons who receive prescription drugs for resale or use in Minnesota.

Payment Dates: Estimated tax payments due the 15th of April, July, October, and January. Annual return due on March 15th for the previous calendar year.

History of Major Changes

1992 — Enacted, effective 1/1/94.

LOCAL TAXES

PROPERTY TAXES AND TAXES IN LIEU OF PROPERTY TAXES

GENERAL PROPERTY TAX Minnesota Statutes, Section 272.01

Tax Base: Net tax capacity of real and personal property.

Computation:

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

times: class rates — determined by type of property, as listed in table on next page.

equals: net tax capacity

times: local tax 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)

- disaster credit
- powerline credit
- agricultural preserves credit
- enterprise zone credit
- disparity reduction credit
- conservation tax credit
- taconite homestead credit
- supplemental homestead credit

equals: net tax

CLASS RATES FOR TAXES PAYABLE IN 1993

<u>Class</u> <u>Type of Property</u>	<u>Net Class</u> <u>Rate</u>
1a Residential homestead	
First \$72,000 market value (MV)	1.0%
Over \$72,000 MV	2.0%
1b Homestead of blind or disabled	
First \$32,000 MV	0.45%
Excess is Class 1a or 2a	
1c Small homestead resorts	1.0
2a Agricultural homestead	
House, garage, and one acre	
First \$72,000 MV	1.0%
Over \$72,000 MV	2.0%
Remaining land	
Up to \$115,000 MV	0.45%
Over \$115,000 MV	
Up to 320 acres	1.3%
Over 320 acres	1.6%
2b Nonhomestead agricultural land; timberland	1.6%
3a Commercial, industrial and utility property	
First \$100,000 MV	3.0%
Over \$100,000 MV	4.7%
3b Employment property (enterprise zones)	
Competitive zone	
First \$50,000 MV	2.3%
Over \$50,000 MV	3.6%
Border city zone - same as class 3a	
4a Apartments, 4 or more units; private hospitals	3.4%
4b Residential nonhomestead, 1-3 units including farm house, garage, and one acre	2.5%
4c Housing (structures only) under Title II, Minnesota Housing Finance Agency; Section 8; Section 42 of Internal Revenue Code. Neighborhood real estate trust; Commercial seasonal recreational residential; Nonprofit community service organization; and Fraternity and sorority housing.	
Manufactured home parks	2.0%
Noncommercial seasonal recreational residential	
First \$72,000 MV	2.0%
Over \$72,000 MV	2.5%
4d Structures of Farmers Home Administration housing in municipalities under 10,000 population; previously unoccupied and abandoned housing under a lease purchase program administered by the Minnesota Housing Finance Agency or a housing and redevelopment authority.	2.0%
5 Tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system; unmined iron ore and low-grade iron ore; and all other property.	4.7%

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. However, overall levy limits have been eliminated, except for school districts, beginning with taxes payable in 1993.

Rates: Local tax rates vary with taxing jurisdiction. Total tax 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).

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 rental unit 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 \$60,000 for homeowners and under \$35,000 for renters.

Revenue

Collections (millions):

Year	Gross		Prop.	
Pay- able	Taxes Levied*	Credits	Tax Refund**	Taxes Paid
1991	\$3,500	\$11	\$143	\$3,346
1992	\$3,713	\$12	\$149	\$3,552

* After homestead and agricultural credit aid, disparity reduction aid, and equalization aid.

** Includes targeting refund.

Disposition: Revenue is distributed by county auditors and treasurers to the counties, municipalities, school districts, and other taxing authorities according to the amount 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 the 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 (known as "green acres") providing for assessment based on current use rather than best use for agricultural property to foster preservation of agricultural lands.

- Portion of agricultural property considered as the homestead increased from 40 to 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 (known as "attached machinery") is exempted.
 - Senior citizens property tax credit extended to disabled and blind persons.
- 1974 — Homestead credit increased to 45% of gross taxes with a maximum credit of \$325.
 - Portion of agricultural property considered as the homestead increased from 80 to 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 property considered as the homestead increased from 120 to 160 acres.
 - Classification ratios for homestead property reduced.

- Allowable relief under property tax refund is increased and senior citizen property tax freeze credit eliminated.
- 1979 — Eliminated limited market value. Enacted two-stage shift to estimated market value.
 - Homestead credit increased to 50% of gross taxes with a maximum of \$550.
 - Classification ratios for homestead and certain other property reduced.
 - Portion of agricultural property considered as the homestead increased from 160 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).
 - Wetlands exemption and credit enacted.
 - Replaced gross earning tax on railroads with the general property 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 58% of gross taxes with a maximum credit of \$650.
 - Native prairie exemption and credit enacted.
 - Targeting credit for homesteads 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 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.
 - Exemption enacted 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.
 - Targeting credit enacted for taxes payable in 1985.
 - Exemption of hydropower facilities leased from governmental units enacted.
 - Local option tax relief authorized in cases where homesteads are destroyed.
 - State reimbursement enacted 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 Airports 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%.
- 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.
- 1989 — Beginning with taxes payable in 1990, the homestead credit and agricultural credit are replaced by new state aids, including a new school equalization aid and homestead and agricultural credit aid (HACA, formerly transition aid).

- New class rates for 1990 and subsequent years.
- Modified disparity reduction aid formula.
- Levy limits to be repealed by 1993.
- Commercial/industrial equalization refund established for taxes payable in 1990 and 1991.
- Noncommercial seasonal recreational property eligible for targeting refund for 1990 only.
- Property tax refund modified.
- 1990 — Commercial/industrial equalization refund repealed before it went into effect.
- Upper level of the second tier of the homestead classification bracket increased from \$100,000 to \$110,000.
- Class rates changed for several types of property.
- Repeal of levy limits for cities and towns delayed from taxes payable in 1992 to 1993 (same as repeal of county levy limits).
- Property tax refund modified.
- Payment dates for several smaller credits changed to a single annual payment.
- 1991 — Class rates and brackets changed for homestead property. Class rates changed for commercial/industrial, residential rental, and seasonal residential property.
- Vacant land eliminated as a separate classification (pay 1993).
- Levy limits made more restrictive for pay 1992. (Limits for counties and cities scheduled for removal, beginning with pay 1993.)
- Local Government Trust Fund established to dedicate a portion of sales tax and motor vehicle excise tax revenues to pay certain local aids and property tax relief.
- 1992 — Homestead treatment extended to dwelling occupied by relative of the owner.
- Homestead application process modified.
- Calculation of targeting refund modified and limited to a maximum of \$1,500.
- Lists of aids paid from the Local Government Trust Fund modified.
- Class rate on manufactured home parks reduced from 2.3% to 2% for 1993 only.
- Exemptions enacted for: certain transitional housing for the homeless; containment tanks for agricultural chemicals; photovoltaic devices; and ice arenas owned by nonprofit organizations for youth and high school hockey.

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¢ per acre or 15¢ per acre for noncompliance with the reforestation agreement. Permanently nonproductive lands are taxed at 5¢ 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¢ 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:	Year Payable	
	1991	\$400,000
	1992	\$401,000

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 restriction 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¢ 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. When the contract expires, the land automatically qualifies for the tree growth tax. No new auxiliary forest contracts are allowed, or existing contracts extended, after June 30, 1974.

Revenue

Collections:	Year Payable	
	1991	\$24,000
	1992	\$27,000

Disposition: Distributed in the same manner as the property tax

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

1929 — Land tax changed to 5¢ 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¢ per acre.

1947 — Yield tax graduated between 40% and 10% depending on year of harvest.

1957 — Land tax rate changed to 10¢ 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 and 298.35

Tax Base: Tonnage of merchantable ore concentrate produced from taconite, iron sulfides, and semi-taconite.

Rates:

Taconite and Iron Sulfides - \$2.054 per ton applicable to the average production of the current year and the previous two years. Beginning with production year 1994, the rate is increased annually by the implicit price deflator.

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

Special Provision: Additional tax of 10¢ 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

	Year Payable	
Collections:	1991	\$78,930,000
	1992	\$82,411,000

Disposition: The taconite production tax is distributed to a number of entities based on requirements and formulas specified in state statute. The actual distribution made in 1992 for the 1991 production year is summarized on the next page.

<u>Aid recipients</u>	<u>Cents per Taxable Ton</u>
Taconite Cities and Towns	3.3¢
Taconite Municipal Aid	16.7
School Districts	42.6
County	24.2
County Road and Bridge	6.5
Taconite Property Tax Relief	26.9
Iron Range Resources & Rehabilitation Board	9.4
Range Association of Municipalities & Schools	.3
Taconite Railroad Grandfather Amount	7.8
Taconite Environmental Protection Fund	43.4
N.E. Minnesota Economic Protection Fund	16.4
School Bond Credits and Payments	7.8
State of Minnesota	.1
	205.4¢

Administration

Agencies: Minnesota Department of Revenue, Minerals Tax Division in Eveleth — 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¢ per ton imposed.
- 1897 — Tonnage tax on iron ore repealed and replaced by the property tax.
- 1941 — Taconite production tax of 5¢ per ton imposed.
- 1959 — Production tax on semi-taconite enacted.
- 1967 — Copper-nickel production tax enacted.
- 1969 — Taconite production tax increased to 11.5¢ per ton.
- 1971 — Additional production tax of 4¢ to 14¢ per ton imposed.
- 1975 — Taconite production tax increased by 39¢ per ton.
- 1977 — Taconite production tax increased to \$1.25 per ton with tax 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.
- Production tax on copper-nickel repealed.
- 1988 — The distribution to homestead property relief reduced from 22¢ to 12¢ per ton.
- 1989 — Distribution to homestead property tax relief increased from 12¢ to 15¢ per ton.
- 1990 — Rate set at \$1.975 per ton for 1990, to be indexed starting in 1991.
- 1992 — Rate set at \$2.054 per taxable ton for production years 1992 and 1993. Indexing to start in 1994.
- Distribution modified for production years 1992 and 1993.

Comparison With Other States

	Resource	Rate
California	Crude oil and natural gas	About 2.5¢ per barrel charge or ten thousand cubic feet of net gas produced.
MINNESOTA	Taconite	\$2.054 per ton, indexed.
North Dakota	Coal	75¢ per ton plus 2¢ per ton for lignite research.
Texas	Sulphur	\$1.03 per long ton.

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

SEVERED MINERAL INTERESTS TAX

Minnesota Statutes, Section 273.165, Subd. 1

Tax Base: Mineral interests in real estate owned separately from the title to the surface interests in the real estate.

Rates: Annual rate of 25¢ per acre times the fractional interest owned. Minimum tax of \$2 on any mineral interest.

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

Revenue

	Year Payable	
Collections:	1991	\$472,000
	1992	\$569,000

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 which are 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 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: Market value times the local tax rate. Maximum tax of \$10 per acre.

Revenue

	Year Payable	
Collections:	1991	\$353,000
	1992	\$350,000

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 TAXES

Minnesota has a statutory prohibition against the imposition of any local sales or income tax without specific legislative authorization. Local sales taxes specially authorized are described below.*

	Rate	Tax Base
Bloomington:	6%	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
	4%	Transient lodging
	6%	Transient lodging — 30 or more rooms
Mankato	0.5%	State sales tax base
	\$20	Per motor vehicle sold at retail
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)
Rochester:	3%	Restaurant food (downtown)
	3%	Transient lodging
	0.5%	State sales tax base (1% before 1/1/93)
	\$20	Per motor vehicle sold at retail
St. Cloud:	5%	Transient lodging
	1%	Certain food and beverages
St. Paul:	3%	Transient lodging
	6%	Transient lodging — 50 or more rooms
Scott County	25c	Per paid admission to a large place of amusement
Winona	1%	Transient lodging

* Not all authorized taxes are currently imposed. All cities and towns are authorized to impose up to a 3% tax on transient lodging. Proceeds from the tax must be used for tourism promotion.

** State law provides that the cumulative tax on lodging in the city of Minneapolis cannot exceed 12%.

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

Revenue Collections:*	C.Y. 1990	C.Y. 1991
Bloomington	\$3,656,000	\$4,045,000
Duluth	7,777,000	7,888,000
Minneapolis	26,632,000	28,225,000
Rochester	9,330,000	9,855,000
St. Cloud	649,000	671,000
St. Paul	1,203,000	1,419,000
Cook County	157,000	256,000
Scott County	448,000	391,000

* Collections reflect only taxes imposed upon special authorization.

Disposition: Local governments.

Administration

Agency: Minnesota Department of Revenue - collection of Mankato, Minneapolis, Rochester, and St. Cloud sales taxes. Other cities and counties collect their own taxes.

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

Who Remits: Holders of local 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 by state law from imposing or increasing sales or income taxes.
- 1973 — Duluth is authorized to impose a 1% general sales tax.
- 1977 — Duluth is authorized to impose a 2% tax on restaurant sales of meals and drinks.

- 1979 — St. Cloud is authorized to impose a 3% lodging tax.
 - Metropolitan Sports Commission lodging and liquor tax authorized.
- 1980 — Duluth is exempted from prohibition against increasing rates without legislative approval.
- 1982 — St. Paul authorized to impose a lodging tax of 3%. At least 25% of the proceeds to pay the debt service on the civic center parking ramp.
- 1983 — Authorized any city to impose a lodging tax of up to 3% for tourism promotion.
 - Rochester is authorized to impose a general sales tax of up to 1% and an excise tax of up to \$20 per vehicle sold at retail.
- 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 these taxes for convention center funding: a 0.5% general sales and use tax; a 3% sales tax on liquor and beer and on restaurant food (downtown only); and an additional 3% lodging tax on facilities with more than 50 rooms.
 - St. Paul is authorized to impose an additional 2% tax on transient lodging facilities with 50 rooms or more to fund a convention bureau.
 - Bloomington is authorized to impose a 1% general sales tax within a designated special district. The city is also authorized to impose a 5% lodging tax and a 5% sales tax on liquor and beer.
 - St. Cloud is authorized to fund a possible convention center by imposing a 1% sales tax on certain food and beverages and an additional 2% lodging tax.
- 1987 — Bloomington authority to impose a 1% general sales tax repealed.
 - Cook County lodging tax in certain towns authorized.
 - Scott County admission tax authorized.
- 1989 — Authorization for Rochester sales tax extended.
 - Rate for the generally-authorized transient lodging tax increased from 3% to 6%, with the first 3% dedicated for tourism promotion.
- 1990 — Rate for generally-authorized lodging tax reduced from 6% to 3%
 - Bloomington authorized to impose an additional 1% lodging tax with proceeds to be used for promotion of the metropolitan sports area.

- 1991 — Mankato authorized to impose a general sales tax of 0.5% and a \$20 excise tax per motor vehicle sold at retail. Proceeds to fund the Riverfront 2000 Project.
 - Winona authorized to impose a lodging tax of 1%. Half of proceeds for a specified project; the balance for tourism promotion.
 - St. Paul's authority to impose an additional lodging tax on a business with 50 or more rooms increased from 2% to 3%.
 - Proceeds from the Bloomington 1% lodging tax to be used for promotion of the city as a tourist or convention center, rather than for promotion of the metropolitan sports area.
 - Expiration date eliminated for the Duluth tax on restaurant sales of meals and drinks.
- 1992 — Brooklyn Center authorized to impose a 1% tax on restaurant food and on-sale liquor. Proceeds to fund low-income housing projects. (Tax not imposed because referendum failed).
 - Ely authorized to impose a general sales tax of 1% and an excise tax of \$20 per motor vehicle sold at retail. Proceeds to fund the Ely Wilderness Gateway project. (Tax not imposed because referendum failed).
 - Rochester authorized to impose a general sales and use tax of 0.5% and an excise tax of \$20 per motor vehicle sold at retail. Proceeds for specified capital improvements. (On 1/1/93 replaced expired 1% tax).
 - Roseville authorized to impose a 2% tax on lodging. Proceeds to fund a multi-use speed skating and bandy facility. (Tax not imposed because it was not placed on the ballot.)
 - Thief River Falls authorized to impose a general sales tax of 0.5% and an excise tax of \$20 per motor vehicle sold at retail. Proceeds to fund the Area Tourism - Convention Facilities. (Tax not imposed because it was not placed on the ballot.)

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:*

	<u>C.Y. 1990</u>	<u>C.Y. 1991</u>
Albert Lea	\$800,000	\$900,000
Coon Rapids	816,000	873,000
Duluth	700,000	700,000
Minneapolis	9,270,000	13,029,000
St. Paul	14,554,000	14,052,000
South St. Paul	361,000	377,000
Winona	520,000	523,000

* Cities shown are those with annual receipts over \$200,000.

Collection amounts for other cities available from the Tax Research Division of the Department of Revenue.

Disposition: Local revenue funds.

Administration

Agency: Local units of government. Trust company tax is paid to the county.

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 in 22 counties.

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

Revenue

Collections:

<u>County</u>	<u>C.Y. 1990</u>	<u>C.Y. 1991</u>
Becker	\$ 11,000	\$ 49,000
Benton	7,000	7,000
Big Stone	29,000	21,000
Carver	41,000	47,000
Clay	62,000	52,000
Dakota	422,000	348,000
Hennepin	346,000	264,000
Kittson	18,000	16,000
LeSueur	148,000	137,000
Mahnomen	5,000	10,000
Marshall	30,000	23,000
Norman	16,000	8,000
Pennington	24,000	38,000
Polk	25,000	5,000
Ramsey	39,000	29,000
Red Lake	14,000	28,000
Scott	197,000	172,000
Sherburne	109,000	110,000
Sibley	6,000	21,000
Stearns	67,000	58,000
Washington	346,000	337,000
Wilkin	<u>7,000</u>	<u>9,000</u>
	\$1,969,000	\$1,789,000

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 the 22 counties.

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 — Extended tax on aggregate materials to importers as well as operators. Specified 26 counties subject to tax.
- 1984 — Exempted certain counties from requirement to impose tax.

GREATER MINNESOTA LANDFILL CLEANUP FEE

Minnesota Statutes, Section 115A.923

Tax Base: Volume of solid waste disposed of at a solid waste disposal facility outside the seven-county metropolitan area.

Rate: \$2 per cubic yard.

Exemption: Waste residue from recycling facilities or 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 if at least 85% of the volume of the solid waste is reduced.

Revenue

Disposition: County or sanitary district where facility is located or the city for a city-owned facility. Revenue must be used for landfill abatement purposes or costs of closure, postclosure care, and response actions or other designated purposes.

Administration

Agency: County, sanitary district, or city.

Who Pays: Operators of mixed municipal solid waste disposal facilities outside the seven-county metropolitan area charge and remit the fee.

History of Major Changes

- 1989 — Enacted.
- 1990 — Fee remitted to local unit of government rather than Department of Revenue.
 - Disposition modified.
- 1991 — Changed the status of the operator of a mixed municipal solid waste disposal facility from the entity that pays the fee to the one that charges the fee.

STATE-LOCAL FISCAL RELATIONS

Minnesota utilizes what may be termed a "broad-based" revenue system to help pay the costs of local government. A large proportion of state tax revenues is used to finance local units of government. State aid payments are made for both the general support of local governments and for specific purposes.

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 — This aid supports general operations of counties, cities, and towns. (For counties, minimal funding was provided in F.Y. 1992 and no funding will be provided for F.Y. 1993).

Equalization Aid — This aid reduces property tax levies in cities with net tax capacity per capita less than \$900.

Homestead and Agricultural Credit Aid (HACA) — This aid replaced the homestead credit and the agricultural credit beginning in 1990. It reduces levies for all taxing districts, and together with statewide property class rates, primarily benefits farms, timberlands, and lower-valued homes.

Disparity Reduction Aid — This aid reduces the levies of all taxing districts in areas that had high tax rates in 1988.

Police and Fire Aids — Aid is given to qualifying municipal fire departments, independent nonprofit fire fighting corporations, county sheriff departments, municipal police departments, the Metropolitan Airports Commission, and certain park police and joint powers police agencies.

Amortization Aids — Aids paid to police and fire departments with local relief associations in the process of converting to the Public Employees Retirement Association. The aids are paid to amortize the unfunded accrued liability of local pension plans.

WELFARE AIDS

The welfare programs are administered by the counties.

Aid to Families with Dependent Children (AFDC) — Eligibility for this program involves low or no income status and lack of assets.

Minnesota Supplemental Aid (MSA) — This program supplements the federal Supplemental Security Income (SSI) program for the aged, blind, or disabled.

Medical Assistance (MA) — Funds from this program are paid to doctors, hospitals, nursing homes, pharmacists, etc., for medical services provided to welfare recipients.

General Assistance — These cash payments are made to low-income persons who do not qualify for AFDC, MSA, or MA.

Work Readiness — Program for low income persons who do not otherwise qualify for general assistance.

Emergency Assistance — Cash assistance for families with children.

Readmission 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 the following major aid programs for the state's school districts:

General Education Aid — Aid and levy formula which replaces the foundation aid and levy formula, teacher retirement aid, and several categorical aids and levies.

Transportation Aid — This aid is tied to the number of pupils requiring transportation.

Special Education Aid — The state pays a portion of the cost for employing teachers in special education and for supplies and equipment.

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

Capital Expenditure Aid — Based on pupil units and property tax levy.

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. (No funding was provided to the Regional Transit Board in F.Y. 1992.)

The level of state funding in F.Y. 1992 for the various aid categories is indicated as follows:

Local Aids

Local Government Aid	\$285,220,000
Equalization Aid	19,477,000
Homestead Credit and Agricultural Credit Aid	496,981,000
Disparity Reduction Aid	43,256,000
Police and Fire Aids	40,603,000
Amortization Aids	5,934,000
Other Aids and Credits	<u>10,934,000</u>
	\$902,405,000

Welfare Aids

AFDC	\$149,524,000
Minnesota Supplemental Aid	52,811,000
Medical Assistance	884,327,000
General Assistance	47,939,000
General Assistance Medical Care	161,295,000
Work Readiness Grants	28,242,000
Emergency Assistance	4,916,000
Alternative Care Grants	<u>17,249,000</u>
	\$1,346,303,000

Education Aids

General Education	\$1,791,117,000
Public Transportation	114,529,000
Special Education	183,023,000
Secondary Vocational	11,404,000
Capital Expenditure	118,149,000
Other Aids	<u>106,596,000</u>
	\$2,324,818,000

Transportation Aids

County	\$228,415,000
Municipal	79,841,000
Transit Assistance	9,960,000
State Airport Fund	
Grants	<u>9,645,000</u>
	\$327,861,000

A general comparison of fiscal year 1992 state tax collections and aid expenditures is shown below. Property tax refund amounts, which include targeting, were included because they represent payments by the state to individuals for tax relief purposes.

State Tax Collections \$7,392.2 million	
Other Taxes \$810.9 million	
Motor Vehicle Registration \$349.9 million	
Corporate Franchise \$422.8 million	
Motor Fuels \$465.2 million	
Sales & Use Tax \$2,198.8 million	
Individual Income \$3,144.6 million	
	State Aid to Local Government \$5,044.4 million
	Property Tax Refund \$143 million
	Transportation Aids \$327.9 million
	Local Aids \$902.4 million
	Welfare Aids \$1,346.3 million
	Education Aids \$2,324.8 million

State Aid to Local Govt.: \$5,044.4 million
State Tax Collections: \$7,392.2 million = 68.2%

MINNESOTA STATE TAX COLLECTIONS NET AFTER REFUNDS

	F.Y. 1991	Fiscal Year 1992	
		Amount	% of Total
Individual Income	\$2,974,542,000	\$3,144,639,000	42.54%
Income tax reciprocity	23,095,000	22,245,000	.30
Corporate Franchise	458,079,000	422,812,000	5.72
Estate	25,691,000	21,870,000	.30
General Sales & Use	1,965,285,000	2,198,809,000	29.75
Motor Vehicle Excise	236,353,000	270,062,000	3.65
Motor Fuels Excise	457,882,000	465,203,000	6.29
Alcoholic Beverage	55,870,000	54,639,000	.74
Cigarette	146,588,000	156,498,000	2.12
Tobacco Products	6,985,000	7,802,000	.11
Controlled Substances	652,000	314,000	*
Mortgage Registry	10,990,000 **	34,390,000	.47
Deed Transfer	10,680,000 **	29,098,000	.39
Lawful Gambling Taxes	57,496,000	54,084,000	.73
Pari-mutuel	1,624,000	1,797,000	.02
Telephone and Other			
Gross Earning	32,759,000	17,658,000	.24
Insurance Premiums	128,203,000	123,985,000	1.68
Hazardous Waste	894,000	128,000	*
Solid Waste	3,882,000	3,301,000	.04
Mining Occupation	2,068,000	2,040,000	.03
Mineral Royalty	89,000	0	0
Motor Vehicle Reg.	331,986,000	349,872,000	4.73
Airflight Property	7,625,000	7,961,000	.11
Aircraft Registration	1,861,000	2,907,000	.04
Rural Electric Co-ops	48,000	52,000	*
Total	\$6,941,229,000	\$7,392,166,000	100.00%

* Less than .005%

** Partial collections. Prior to 12/1/90, deducted from AFDC expenses reimbursed by the state.

MINNESOTA LOCAL TAX COLLECTIONS

	<u>Year Payable</u>	
	<u>1991</u>	<u>1992</u>
General Property Tax — net after credits	\$3,346,000,000	\$3,552,000,000
Tree growth tax	400,000	401,000
Auxiliary forest tax	24,000	27,000
Taconite production tax	78,930,000	82,411,000
Severed mineral interests tax	472,000	569,000
Unmined taconite tax	353,000	350,000

	<u>Calendar Year Collections</u>	
	<u>1990</u>	<u>1991</u>
Local Sales Taxes*		
Bloomington	\$3,656,000	\$4,045,000
Duluth	7,777,000	7,888,000
Minneapolis	26,632,000	28,225,000
Rochester	9,330,000	9,855,000
St. Cloud	649,000	671,000
St. Paul	1,203,000	1,419,000
Cook County	157,000	256,000
Scott County	448,000	391,000
Gross Earnings on Utility Companies**		
Albert Lea	\$800,000	\$900,000
Coon Rapids	816,000	873,000
Duluth	700,000	700,000
Minneapolis	9,270,000	13,029,000
St. Paul	14,554,000	14,052,000
South St. Paul	361,000	377,000
Winona	520,000	523,000
Sand and Gravel Occupation Tax	\$1,969,000	\$1,789,000

* Collections reflect only taxes imposed upon special authorization.

** Cities shown are those with annual receipts over \$200,000.

MINNESOTA Department of Revenue

Tax Research Division

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**Addendum to
The Minnesota Tax Handbook
1992 Edition**

This supplement to the 1992 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in the 1993 session of the Minnesota Legislature. The law changes are listed by tax, with page references to the 1992 Edition.

This supplement also contains: a list of the rates of the major state taxes; class rates for the property tax for taxes payable in 1994; and state tax collections for fiscal year 1993.

Publication of a new tax handbook is scheduled for the latter part of 1994 and will include any changes made during the 1994 session of the Minnesota Legislature.

Minnesota Department of Revenue
Tax Research Division
December 1993

History of Major Changes

Individual Income Tax, Page 8

1993 - Working family credit increased from 10% to 15% of the federal earned income credit.

Corporation Franchise Tax, Page 17

1993 - Estimated tax requirement increased to 97%.

Sales and Use Tax, Page 25

1993 - Exemptions enacted for: replacement machinery and equipment used in taconite mining or production; construction materials and supplies for a new satellite broadcasting facility plus machinery, equipment, furniture, and fixtures to equip the facility; pollution control equipment purchased by a steel reprocessing firm; repair and replacement parts purchased by local governments for fire trucks and emergency rescue vehicles; certain purchases by county law libraries, the state law library, and the legislative reference library; and local government purchases of machinery and equipment for use at landfills.

- Use tax extended to distribution of tangible personal property.
- Modified requirements and payment dates for accelerated June payment.
- Changed annual return due date from January 20 to February 5.

Motor Fuels Excise Taxes, Page 31

- 1993 - Alternate fuel permit repealed.
- Credit enacted for rerefined waste oil used for motor vehicles.

Sports Bookmaking Tax (new)

- 1993 - Enacted at 6% of the value of bets received.

Hazardous Waste Generator Tax, Page 64

- 1993 - Existing tax repealed and replaced by a new tax structure.

MinnesotaCare Taxes, Page 67

- 1993 - Tax on surgical centers separated from the tax on hospitals.
- A separate tax of 2% of gross revenues imposed on pharmacies for medical supplies, appliances, and equipment.
- Research deduction allowed for tax-exempt hospitals and health care providers.

General Property Tax, Page 78

- 1993 - Limited market value established for agricultural, residential, and noncommercial seasonal recreational residential property for 1993-1998.
- Exclusion enacted for certain improvements to older homes for up to ten years. After ten years, 20% of the excluded value added in each of the next five years.
- Class rates reduced for certain agricultural property.
- Class rate of 2% for manufactured home parks extended for two years.
- Date for establishing a homestead after the assessment date changed from June 1 to December 1.
- Homestead certification procedures modified.

Contamination Tax (New)

- 1993 - Enacted at 100% of the class rate for the property times its contamination value. Under specified conditions, the rate can be 50%, 25%, or 12.5%, instead of 100%.

Mining Production Taxes, Page 83

- 1993 - Date changed for payment of entire tax to February 24.
- Distribution modified.

Local Sales Taxes, Page 89

- 1993 - St. Paul authorized to impose a general sales tax of up to 0.5% by resolution of the city council. Proceeds to fund the expansion and remodeling of the St. Paul Civic Center complex and capital projects to further residential, cultural, commercial, and economic development downtown and in the neighborhoods. (Implemented 9/1/93)
- Cook County authorized to impose a general sales tax of up to 1% by referendum. Proceeds to fund the expansion and improvement of the North Shore Hospital. (Approved, effective 1/1/94)
- Garrison authorized to impose a general sales tax of up to 1% by referendum. Proceeds to fund construction of a sewer system.

Rates of Major State Taxes As of December 31, 1993

Individual Income Tax: Tax Year 1993

	<u>Rates and Taxable Income Brackets</u>		
	<u>6% up to</u>	<u>8%</u>	<u>8.5% over</u>
Married Joint	\$21,600	\$21,601-\$85,830	\$85,830
Married Sep.	\$10,800	\$10,801-\$42,920	\$42,920
Single	\$14,780	\$14,781-\$48,550	\$48,550
Head of Hshld.	\$18,190	\$18,191-\$73,110	\$73,110

Corporation Franchise Tax: 9.8%

Sales and Use Tax:*

- 6.5% General rate
- 9% Liquor and beer, on-sale and off-sale
- 4.5% Special tooling
- 2.5% Farm machinery; logging equipment

Motor Vehicle Excise Tax: 6.5%*

Motor Fuels Excise Taxes

- Highway fuels: 20¢ per gallon
- Aviation fuels: 5¢ per gallon

Alcoholic Beverage Taxes

- Distilled spirits: \$5.03 per gallon
- Beer: more than 3.2% \$4.60 per barrel
- 3.2% or less \$2.40 per barrel
- Wine: \$.30 - \$3.52 per gallon

Cigarette Tax: 48¢ per pack of 20 cigarettes.

Tobacco Products Tax: 35% of wholesale price.

Mortgage Registry Tax: 23¢ per \$100 of principal debt.

Deed Transfer Tax: \$1.65 per \$500 of consideration.

Lawful Gambling Tax: 10% of gross receipts less prizes.

Pull-Tab and Tipboard Tax: 2% of ideal gross.

Combined Receipts Tax: Graduated rates of 2%, 4%, and 6% based on annual receipts over \$500,000 of organization from pull-tabs and tipboards.

Insurance Premiums Taxes: 2% general rate. Other rates applicable to certain situations.

Motor Vehicle Registration Tax: \$10 plus 1.25% of base value based on age for passenger cars, pickup trucks, and vans. Trucks, tractors, and buses based on type, weight, and age of the vehicle.

* Rates include 0.5% state-administered county option tax.

Property Tax Class Rates For Taxes Payable in 1994

Minnesota State Tax Collections

Net After Refunds

Fiscal Year 1993

<u>Class and Type of Property</u>		<u>Net Class Rate</u>		
1a Residential homestead			<u>FY 1993 Collections</u>	
First \$72,000 market value (MV)		1.0%		
Over \$72,000 MV		2.0%		
1b Homestead of blind or disabled			<u>Amount</u>	<u>% of Total</u>
First \$32,000 MV		0.45%		
Excess is Class 1a or 2a				
1c Small homestead resorts		1.0%	Individual income tax	\$3,471,383,000 42.85%
2a Agricultural homestead			Income tax reciprocity	24,127,000 .30
House, garage, and one acre - same as Class 1a			Corporation franchise tax	509,534,000 6.29
Remaining land			Estate tax	19,769,000 .24
Up to \$115,000 MV		0.45%	General sales and use tax	2,378,483,000 29.36
Over \$115,000 MV			Motor vehicle rental tax	6,274,000 .08
Up to 320 acres		1.0%	Motor vehicle excise tax	295,989,000 3.65
Over 320 acres		1.5%	Motor fuels excise taxes	469,555,000 5.80
2b Nonhomestead agricultural land; timberland		1.5%	Alcoholic beverage taxes	55,187,000 .68
3a Commercial, industrial, and utility property			Cigarette tax	175,801,000 2.17
First \$100,000 MV		3.0%	Tobacco products tax	8,423,000 .10
Over \$100,000 MV		4.6%	Controlled substances tax	206,000 *
3b Employment property (enterprise zones)				
Competitive zone			Mortgage registry tax	48,048,000 .59
First \$50,000 MV		2.3%	Deed transfer tax	32,680,000 .40
Over \$50,000 MV		3.6%		
Border city zone - same as class 3a			Lawful gambling taxes	57,208,000 .71
4a Apartments, 4 or more units; private hospitals		3.4%	Pari-mutuel taxes	913,000 .01
4b Residential nonhomestead, 1-3 units including farm house, garage, and one acre.		2.3%		
4c Housing under Title II, Minn. Housing Finance Agency; Sec. 8; Sec. 42 of Internal Revenue Code. Neighborhood real estate trust. Commercial seasonal recreational residential. Nonprofit community service organization. Fraternity and sorority housing. Manufactured home parks Noncommercial seasonal recreational residential		2.3%	Insurance premiums taxes	135,832,000 1.68
First \$72,000 MV		2.0%	Other gross earnings taxes	(2,000) *
Over \$72,000 MV		2.5%	Hazardous waste tax	401,000 .01
4d Structures of Farmers Home Administration housing in municipalities under 10,000 pop. Abandoned housing under a lease purchase program administered by the Minn. Housing Finance Agency or a housing and redevelopment authority - same as Class 1a.		2.0%	Metropolitan solid waste tax	2,839,000 .04
			Mining occupation taxes	2,986,000 .04
			Motor vehicle registration tax	383,239,000 4.73
			Airflight property tax	8,155,000 .10
			Aircraft registration tax	1,763,000 .02
			MinnesotaCare hospital tax	11,884,000 .15
5 Tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system. Unmined iron ore and low-grade iron ore. All other property.		4.6%	Total	\$8,100,677,000 100.0%
			* Less than .005%	