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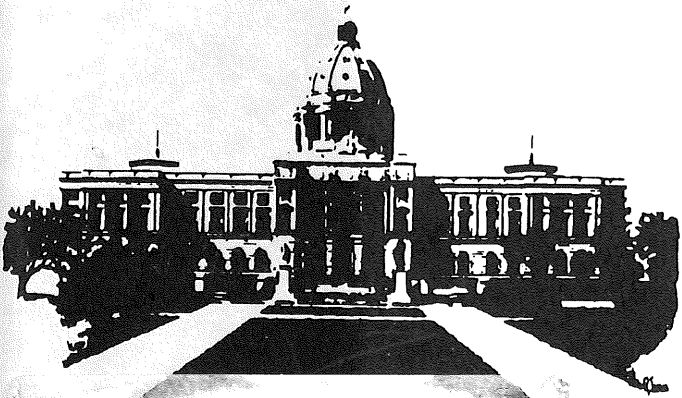
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Minnesota

# Tax Handbook

*A Profile of State and  
Local Taxes in Minnesota*

*1998 Edition*



DEPARTMENT OF REVENUE  
Tax Research Division

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1998

March 1999

The *Minnesota Tax Handbook* provides general information on Minnesota state and local taxes. Questions regarding the application of a tax to the specific situation of an individual or a business should be directed as follows:

**Individual income tax and property tax refund**

Minnesota Department of Revenue  
Income Tax Division  
Mail Station 5510  
St. Paul, MN 55146-5510  
(651) 296-3781 or 1-800-652-9094 (toll free)

**Sales tax**

Minnesota Department of Revenue  
Mail Station 6340  
St. Paul, MN 55146-6340  
(651) 296-6181 or 1-800-657-3777 (toll free)

**Corporate franchise (income) tax**

Minnesota Department of Revenue  
Mail Station 5100  
St. Paul, MN 55146-5100  
(651) 297-7000 or 1-800-366-2913 (toll free)

**Hearing Impaired**

TDD (651) 297-2197  
Minnesota Relay Service 1-800-627-3529  
(ask for 1-800-652-9094)

Information is also available from the Department of Revenue's Internet web site at <http://www.taxes.state.mn.us>

Property tax questions for specific property should be directed to the county in which the property is located.

For valuations and assessments: county assessor.

For tax rates and computation: county auditor.

For tax statement and payment: county treasurer.

## MINNESOTA TAX HANDBOOK

### A Profile of State and Local Taxes in Minnesota 1998 Edition

This handbook contains a summary of the state and local tax system in Minnesota. The first section provides a profile of each state tax including tax base, rates, collection amounts, comparisons with selected states, and legislative history. The second section profiles each local tax in a similar manner. The last section contains information on state and local tax collections.

The tax provisions include changes enacted in the 1998 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  
(651) 296-3425

The *Minnesota Tax Handbook* is available on the Department of Revenue's Internet web site at <http://www.taxes.state.mn.us>

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## STATE TAXES

### INCOME AND ESTATE TAXES

#### INDIVIDUAL INCOME TAX

Minnesota Statutes, Section 290.03

**Tax Base:** Federal taxable income modified by state additions and subtractions.

**Rates and Taxable Income Brackets:** The income brackets are adjusted annually for inflation.

|                | <b>Tax Year 1998</b> |                   |                  |
|----------------|----------------------|-------------------|------------------|
|                | <u>6% up to</u>      | <u>8%</u>         | <u>8.5% over</u> |
| Married Joint  | \$24,800             | \$24,801-\$98,540 | \$98,540         |
| Married Sep.   | \$12,400             | \$12,401-\$49,270 | \$49,270         |
| Single         | \$16,960             | \$16,961-\$55,730 | \$55,730         |
| Head of Hshld. | \$20,890             | \$20,891-\$83,930 | \$83,930         |

|                | <b>Tax Year 1999</b> |                    |                  |
|----------------|----------------------|--------------------|------------------|
|                | <u>6% up to</u>      | <u>8%</u>          | <u>8.5% over</u> |
| Married Joint  | \$25,220             | \$25,221-\$100,200 | \$100,200        |
| Married Sep.   | \$12,610             | \$12,611-\$50,100  | \$50,100         |
| Single         | \$17,250             | \$17,251-\$56,680  | \$56,680         |
| Head of Hshld. | \$21,240             | \$21,241-\$85,350  | \$85,350         |

#### Computation for tax year 1998:

Federal taxable income

plus: Minnesota additions, including:

- non-Minnesota state/municipal bond interest
- itemized deduction for state income taxes
- expenses deducted federally on income not taxed by Minnesota

minus: Minnesota subtractions, including:

- U.S. bond interest
- dependent education expenses
- income of elderly and disabled (up to limits)
- payments by the self-employed for health insurance not deducted federally
- railroad retirement income

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) exceeding regular tax

plus: tax on lump sum distribution from a pension plan

minus: nonrefundable credits, including:  
 — credit for income tax paid to other states  
 — alternative minimum tax carryover credit

equals: Minnesota income tax

minus: refundable credits  
 — dependent care credit, up to \$31,070 income  
 — working family credit (same eligibility as federal earned income credit)  
 — 20% of property tax paid by homeowners and renters, maximum rebate of \$1,500  
 — K-12 education credit, up to \$33,500 income

equals: net individual income tax payable

### Special Provisions:

1. Taxpayers may assign \$5 from general fund to political parties or campaign funds.
2. Taxpayers may contribute \$1 or more to the Minnesota Nongame Wildlife Management Account by reducing their refund or increasing their amount owed.
3. Reciprocity agreements exempt North Dakota, Wisconsin, and Michigan residents from filing Minnesota returns on wage and personal service income earned in this state. Wisconsin is required to reimburse Minnesota for the net revenue lost due to reciprocity each year.
4. In lieu of the regular income tax, nonresident entertainers pay a tax equal to 2% of compensation received for entertainment performed in Minnesota.

### Revenue

| Collections: | Income Tax      | Reciprocity  |
|--------------|-----------------|--------------|
| F.Y. 1997    | \$4,784,801,000 | \$31,887,000 |
| F.Y. 1998    | \$4,749,533,000 | \$37,872,000 |

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. Calendar year returns must be filed by April 15th.
2. Withholding of taxes on Minnesota earnings is required of employers. Employers remit taxes withheld on a semi-weekly, monthly, or quarterly basis.
3. Quarterly estimated tax payments for calendar year filers are due the 15th of April, June, September, and the next January.

### History of Major Changes

- 1933 — Enacted at graduated rates from 1% to 5%.
- 1937 — Rates increased; personal credits replaced exemptions.
- 1949 — Standard deduction of 10% to \$500 maximum enacted.  
 — 5% surtax levied on the normal rate.
- 1951 — Additional personal credits enacted for blind persons and age 65 and over.
- 1953 — Standard deduction maximum raised to \$1,000.
- 1955 — Dependent education expense deduction 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 — Combined return allowed for married-separate filers.  
 — Rates increased from 1.5%-12% to 1.6%-15%.  
 — Credits for pollution control equipment and nonpublic school costs established.  
 — Senior citizen, rent, and personal credits increased.
- 1973 — Increased rent and senior citizen tax credits.  
 — Senior citizen property tax freeze credit enacted.
- 1974 — Low income and political contribution credits enacted.  
 — Nonpublic school credit held unconstitutional.
- 1975 — Additional personal credits for deaf persons.  
 — Rent and senior citizen credits replaced by income-adjusted homestead credit (property tax refund).  
 — Low income credit levels increased.
- 1976 — Increased maximum education expense deduction.
- 1977 — Exemption for military pay repealed.  
 — Minimum tax on preference items imposed.  
 — Out-of-state income included in income.  
 — Dependent care credit established.  
 — Brackets with rates of 16%, 17%, and 18% added.  
 — Personal credits increased from \$21 to \$30 each.  
 — Public pension subtraction limited to \$7,200.  
 — Senior citizen property tax freeze credit repealed.
- 1978 — 18% top rate repealed.  
 — Personal credits increased to \$40.  
 — Homemaker and National Guard credits enacted.  
 — Pension subtraction modified and extended to private pensions.  
 — Low income credit levels and political contribution credit increased.
- 1979 — Personal credits increased; indexed after 1980; additional credits for quadriplegic persons.  
 — Maximum standard deduction increased to \$2,000; indexed after 1980.  
 — Low income credit levels increased.

- Income tax brackets indexed.
- 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 enacted for pollution control and renewable energy expenditures.
- 1980 — Pension subtraction increased to \$11,000.
- Low income credit levels increased.
- Dependent care credit increased.
- 1981 — Federal tax deduction changed to accrual basis.
- Taxable net income adjustment factor adopted.
- Capital gains exclusion of 60% enacted.
- Surtax of 7% enacted.
- 1982 — Temporary surtax increased to 10%.
- 1983 — Temporary surtax of 10% extended.
- Repealed subtraction for investment tax credit.
- Dependent care credit amounts increased.
- Pollution control credits repealed.
- Equity investment credit enacted.
- 1984 — Repealed 10% surtax.
- Expanded pension income subtraction.
- Increased maximum education expense deduction.
- Pollution control credits reinstated.
- Credits enacted for conservation tillage equipment and resource recovery equipment.
- Computation of tax for nonresidents changed to apportionment of total tax.
- 1985 — Required the election of married persons to file jointly or separately to be the same as the federal. Established a different rate schedule for married joint. Other provisions changed to be based on the couple's joint income.
- Tax rates lowered; deductibility of federal income tax an option (higher rates used when federal tax is deducted).
- 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 elderly and disabled persons.
- Taxable net income adjustment factor repealed.

- Repealed these credits: low income; homemaker; residential energy; resource recovery equipment; pollution control; conservation tillage; and equity investment.
- Replaced minimum tax with alternative minimum tax.
- 1987 — Changed the starting point 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, including repeal of capital gains exclusion.
- Eliminated the option to deduct federal income taxes.
- Tax rates changed. Number of brackets reduced to four for 1987 and two for 1988. Schedule added for head of household.
- Additional tax equal to 10% of the federal 5% surtax.
- Increased alternative minimum tax rate from 4% to 6%.
- 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.
- Enacted a credit for elderly and disabled persons equal to 40% of the federal credit.
- 1988 — Rate schedules and surtax modified.
- Subtraction enacted for income of the elderly and disabled, up to a maximum amount based on income.
- Elderly and disabled persons credit repealed.
- 1989 — Dependent care credit phase-out modified; income levels indexed, beginning in 1991.
- Alternative minimum tax credit enacted.
- Nonresident entertainer tax enacted.
- 1991 — Top rate kept at 8.5% rather than going down to 8% above specified income thresholds.
- Alternative minimum tax rate increased to 7%.
- Federal changes adopted include the phaseout of the personal exemptions and the limitation of itemized deductions for higher-income taxpayers.
- Working family credit enacted equal to 10% of the federal earned income credit.
- 1992 — Full deduction allowed for self-employed health insurance premiums.
- 1993 — Working family credit increased from 10% to 15% of the federal earned income credit.

- 1994 — Adopted federal changes that increased the taxable portion of social security, expanded the earned income credit, and decreased the deductible portion of business meals and entertainment expenses.
- Elderly subtraction base amounts and income thresholds increased; minimum subtraction added for increase in taxable social security benefits for 1994 through 1996.
- 1997 — One-year refundable credit enacted for 1997 equal to 20% of property taxes paid by homeowners and renters.
- Dependent education expense deduction extended to nonitemizers and to expenses for tutoring and summer school, also computer and educational software up to \$200 per family. Maximum deduction increased. Effective tax year 1998.
  - Refundable credit enacted equal to education expenses up to \$1,000 per child, \$2,000 per family, for families with income of \$33,500 or less, effective tax year 1998. Expenses same as for the deduction except for school tuition.
  - Working family credit increased from 15% to 25% of the federal earned income credit for taxpayers with children, effective tax year 1998.
  - Nonrefundable credit enacted for increases in cabin property taxes for 1998 and 1999.
- 1998 — One-year refundable credit enacted for 1998 equal to 20% of property taxes paid by homeowners and renters, with a maximum credit of \$1,500.
- Working family credit decoupled from the federal earned income credit, increased for some filers.
  - Deduction disallowed for expenses related to income exempt from Minnesota tax.
  - Adopted federal provisions of Roth and education IRAs, expansion of deductible IRAs, capital gain exclusion for home sales, and deduction of student loan interest.
  - Shareholders of S corporation banks allowed to subtract the federal tax on flow-through bank income.

### Comparison With Other States - Tax Year 1998

|  | California                            | Illinois                 | Iowa                                   | Michigan               | MINNESOTA   | New York   | North Dakota*                        | Wisconsin  |
|--|---------------------------------------|--------------------------|--|------------------------|---|--|--------------------------------------|--|
|  | No                                    | No                       | Yes                                    | No                     | No  | No   | Yes                                  | No   |
| Federal Tax Deduction Standard Deduction | \$2,642                               |                          | \$1,440                                |                        | \$4,250 <sup>b</sup>  | \$7,500  | \$4,250 <sup>b</sup>                 | \$5,200 <sup>c</sup>   |
| Single                                   | 5,284                                 |                          | 3,550                                  |                        | 7,100 <sup>b</sup>  | 13,000   | 7,100 <sup>b</sup>                   | 8,900 <sup>c</sup>   |
| Joint                                    | 2,642                                 |                          | 1,440                                  |                        | 3,550 <sup>b</sup>  | 6,500  | 3,550 <sup>b</sup>                   | 4,230 <sup>c</sup>   |
| Married Separate                         |                                       |                          |  |                        |   |  |                                      |  |
| Personal Exemptions/Credits              | \$70*                                 | \$1,300                  | \$40*                                  | \$2,800                | \$2,700   | 0  | \$2,700                              | 0  |
| Single                                   | 140*                                  | 2,600                    | 80*                                    | 5,600                  | 5,400   | 0  | 5,400 <sup>d</sup>                   | 0  |
| Joint                                    | 253*                                  | 1,300                    | 40*                                    | 2,800                  | 2,700   | 1,000  | 2,700                                | 0  |
| Dependent                                |                                       |                          |  |                        |   |  |                                      |  |
| Rates                                    | 1% to 9.3% on income over \$33,675    | 3% on taxable net income | 0.36% to 8.98% on income over \$51,120 | 4.4% on taxable income | 6% to 8.5% on income over \$55,730 single \$98,540 joint brackets | 4% to 6.85% on income over \$20,000 single, \$40,000 joint | 2.67% to 12% on income over \$50,000 | 4.77% to 6.77% on income over \$15,000 single \$20,000 joint |
| Indexing                                 | brackets, credits, standard deduction |                          | standard deduction brackets            |                        |   |  |                                      |  |

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. Credit phased out above income limits.

## 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)
- Credit unions
- Mining subject to the occupation tax
- Insurance companies domiciled in retaliatory states
- Mutual property and casualty insurance companies with assets less than \$1.6 billion as of 12/31/89

### Computation:

Federal taxable income

plus: Minnesota additions; including:

- state, local, or foreign income taxes deducted federally
- federally-exempt interest
- net operating loss deducted federally
- federal dividend received deduction
- losses from mining subject to occupation tax
- federal capital loss deduction
- federal charitable contribution deduction
- exempt foreign trade income of a foreign sales corporation
- federal percentage depletion deduction
- deemed dividends from foreign operating corporations

minus: Minnesota subtractions; including:

- foreign dividend gross-up
- salary expenses not deducted federally due to federal jobs or Indian employment credits
- 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
- 80% of foreign source royalties, fees, etc., received within unitary group
- income or gains from mining subject to the occupation tax
- research expenses disallowed federally due to claiming the federal credit

plus or minus: modifications to the federal accelerated cost recovery system

equals: 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: taxable 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
- alternative minimum tax carryover credit
- job training program credit
- premiums tax credit for insurance companies
- guaranty association assessments for insurance companies

plus: — alternative minimum tax (5.8% of alternative minimum taxable income) exceeding 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:

| Total Minnesota<br>Property, Payroll and Sales | Minimum<br>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 contribute \$1 or more to the Minnesota Nongame Management Account by reducing its refund or increasing its amount owed.



## Revenue

|              |           |               |
|--------------|-----------|---------------|
| Collections: | F.Y. 1997 | \$680,898,000 |
|              | F.Y. 1998 | \$752,061,000 |

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 have nexus in Minnesota.

Payment Dates: Quarterly payments of estimated tax due by 15th day of 3rd, 6th, 9th, and 12th months 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 after 1938.
  - Property/payroll credit enacted.
- 1939 — Manufacturing firms given option of average or weighted apportionment.
- 1941 — Bank excise tax enacted at a rate of 8%.
- 1947 — Specific credit reduced to \$500; \$10 minimum tax.
- 1949 — 5% special surtax added; additional \$5 fee imposed.
- 1953 — Apportionment option extended to all firms.
- 1955 — 1% surtax on taxable income added.
- 1957 — Property/payroll credit repealed.
- 1959 — For corporations 7.5% tax rate and 1.8% additional levy enacted. For banks, 9.5% tax rate and 1.9% additional levy enacted
- 1961 — 10% surtax added.
- 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 control credits set to expire after 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 credit repealed.
- 1981 — Rate reduced to 9% (6% after 1982) on first \$25,000 of taxable income.
  - Credit for increasing research activities enacted.
  - 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).
- 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 enterprise zone.
- 1984 — Exempted foreign source dividends and certain foreign source royalties.
  - Pollution control credits reinstated and expanded.
  - Minimum preference tax and energy credit repealed.
- 1985 — Repealed these credits: pollution control; resource recovery equipment; equity investment; and conservation tillage.
- 1987 — Corporate income tax and bank excise tax replaced by a corporate franchise tax.
  - Rate reduced to 9.5%.
  - Adopted federal taxable income as the starting point for the tax.
  - Eliminated the 60% capital gains exclusion.
  - Adopted changes made by the federal Tax Reform Act of 1986.
  - Alternative minimum tax of one mill times the Minnesota property, payroll, and sales factors for tax years 1987, 1988, and 1989. Replaced by minimum tax on preference items in 1990.
  - Eliminated arithmetic average option for apportionment.
  - Reduced dividend received deduction and foreign source royalty deduction.
  - Repealed these 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.
- 1988 — Dividend received deduction changed.
- 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.
- Minimum tax beginning in 1990 changed from an alternative tax to an add-on tax.
- 1989 — Unrelated business income tax imposed on exempt organizations.
- Alternative minimum tax of 7% enacted, beginning with tax year 1990; add-on tax repealed.
- Tax on insurance companies based on current Internal Revenue Code rather than 1936 Federal Revenue Act, starting with tax year 1991.
- Exemptions enacted for: 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.
- Additional 20% dividend received deduction allowed in certain situations.
- 1990 — Rate increased from 9.5% to 9.8%; alternative minimum tax rate reduced from 7% to 5.8%.
- Minimum fee enacted of from \$0 to \$5,000 based on Minnesota property, payroll, and sales of C corporations, S corporations, and partnerships.
- 1992 — Provisions adopted to tax limited liability companies as partnerships.
- 1994 — Adopted changes made by the federal Omnibus Budget Reconciliation Act of 1993.
- Guaranty association assessments credit enacted for insurance companies.
- 1997 — Limited job training credit enacted.
- 1998 — Small corporations exempted from alternative minimum tax.

## Comparison With Other States — Tax Year 1998

|            | <b>Income/Franchise Tax Rates</b>   |
|------------|---|
| California | 8.84% of net income; minimum tax of \$800. Banks: 10.84%; minimum tax of \$800. Alternative minimum tax rate is 6.65%. S Corporations: 1.5%   |
| 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: 2.3% of adjusted tax base that includes business income, compensation paid employees, interest payments, and depreciation of tangible assets. Alternative tax for small businesses: 2% 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. The rate for small businesses is 8%. 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 3.5% of alternative net income using only a double-weighted receipts factor. Banks: 9% on net income, \$250, 3% on alternative income, or asset-based tax at rate ranging from 1/50 to 1/10 of one mill, whichever is greatest. |

|              |   |
|--------------|---|
| 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, whichever is higher.   |
| Wisconsin    | 7.9% of net income. Temporary recycling surcharge of 2.75% 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. 1997 | \$48,944,000 |
|              | F. Y. 1998 | \$61,612,000 |

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 \$625,000 in 1998 and \$650,000 in 1999.

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

### History of Major Changes

- 1905 — Inheritance tax adopted, with rates from 1.5% on inheritances less than \$50,000 to 5% over \$100,000.
- 1911 — Exemptions provided ranging from \$10,000 for spouse to \$100 for unrelated persons.
  - 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.
  - 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 from \$30,000 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 from \$15,000 to \$30,000.

- 1979 — Inheritance and gift tax repealed and replaced with estate tax with graduated rates from 7% to 12% of Minnesota taxable estate, but tax not less than the federal credit for state death taxes.
- 1981 — Conformed to federal changes increasing minimum filing requirements and providing unlimited marital deduction.
- 1985 — Eliminated the Minnesota rate schedule tax; tax equal to the Minnesota portion of the federal estate tax credit for state taxes.
- 1998 — Adopted 1997 federal changes, including the phased-in increase in filing requirements from \$600,000 to \$1 million in 2006.

**Comparison With Other States — 1998**

|   |   |  |
|---|---|--|
| California<br>Illinois<br>Michigan<br>MINNESOTA<br>North Dakota<br>Texas<br>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"). |
|---|---|--|

|          |   |
|----------|---|
| New York | Estate tax with rates graduated from 2% to 21%. |
|----------|---|

|                      |   |  |
|----------------------|---|--|
| Iowa<br>South Dakota | } | Inheritance tax* rather than estate tax plus an estate tax to absorb the maximum federal credit. |
|----------------------|---|--|

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

**Other Transfer Taxes:**

Generation-skipping transfer tax imposed by California, Illinois, Iowa, Michigan, New York, and Texas.

Gift tax imposed by New York.

**SALES AND EXCISE TAXES**

**GENERAL SALES AND USE TAX**

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

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

**Rates:**

|   |        |
|---|--------|
| General rate applicable to all taxable transactions |        |
| except those listed below                           | 6.5%   |
| Liquor and beer, both on-sale and off-sale          | 9.0%   |
| Farm machinery; logging equipment                   |        |
| 7/1/98 to 6/30/99                                   | 2%     |
| 7/1/99 to 6/30/00                                   | 1%     |
| 7/1/00 and after                                    | Exempt |

**Major Exemptions:** Sales for resale in the regular course of business; food products (but not prepared meals and drinks, candy, gum, and soft drinks), 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 sales tax; materials used or consumed in agricultural or industrial production; textbooks; residential heating fuels and water services; and capital equipment used in manufacturing, fabricating, mining, or refining tangible personal property.

**Additional Tax:** 6.2% is imposed on the rental of a car, van, or pickup truck for less than 29 days.

**Revenue**

| Collections: | Sales and Use Tax | Motor Vehicle Rental |
|--------------|-------------------|----------------------|
| F.Y. 1997    | \$3,018,193,000   | \$8,907,000          |
| F.Y. 1998    | \$3,255,981,000   | \$9,900,000          |

Disposition: State General Fund

**Administration**

Agency: Minnesota Department of Revenue

**Who Pays:** Purchasers or users of taxable goods and services. 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 — 20<sup>th</sup> day of the following month. (Accelerated payment of 75% of June liability and different due dates apply for filers required to pay by electronic funds transfer.) Quarterly returns — 20<sup>th</sup> of the month following the sales quarter. Annual returns — February 5<sup>th</sup>. Annual individual use tax — April 15<sup>th</sup>.

### History of Major Changes

- 1967 — Sales tax enacted at 3% rate.
- 1971 — Rate increased to 4%.
  - Motor vehicles exempted from the sales tax and made subject to the motor vehicle excise tax.
- 1973 — Accessory tools exempted.
- 1978 — Residential heating fuel exempted.
- 1979 — Residential water service exempted.
- 1981 — Rate temporarily increased from 4% to 5%, except for farm machinery.
  - Exemption for cigarettes repealed.
  - June accelerated payment enacted.
- 1982 — Exemptions for candy and soft drinks repealed.
  - Cable TV services subjected to tax.
  - 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.
  - Exempted: race horses; paper and ink used to produce publications; and construction materials and equipment used in enterprise zones.
  - Over-the-counter sales of magazines made taxable.
- 1984 — Rate reduced to 4% on capital equipment for new or expanding manufacturing facilities and on special tooling.
  - Mobile homes taxed at 65% of sales price.
- 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; and certain sales by nonprofit organizations, including fundraising.
  - Repealed exemption for central office telephone equipment.
- 1987 — Removed exemptions from: nonprescribed drugs and medicine; state government purchases; interstate telephone service, railroad rolling stock; most club dues; race horses; meals sold in hospital cafeterias; admission to public recreational areas; and admission to health clubs, tanning facilities, and similar places.

- Sales tax extended to: parking; 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.
- Repealed reduction in sales price for federal taxes.
- 1988 — Exemptions enacted for: sales to the University of Minnesota, state universities, community colleges, technical institutes, state academies, and the University of Minnesota hospitals; and nonprescribed analgesics.
- 1989 — Sales tax extended to garbage collection and telephone access charges imposed by hotels.
  - Exemption enacted for capital equipment in new or expanding industries (previously taxed at 4%).
  - Exemption repealed for motor vehicles leased by local governments and nonprofit organizations.
- 1991 — Rate temporarily increased from 6% to 6.5% (7/1-12/31/91). Local option sales tax for counties of 0.5% enacted (1/1/92).
  - Isolated or occasional sale exemption restricted for business property.
  - Tax extended to private communications services and pet boarding.
  - Tax of \$7.50 imposed on the rental of a car, van, or pickup truck for less than 29 days.
- 1992 — General exemption for sales to local governments repealed. Still exempt: sales to school districts, and to hospitals and nursing homes owned and operated by local governments; and certain purchases by public libraries.
  - Exemptions enacted for: large ships; photovoltaic devices; and wind energy conversion systems.
  - Restricted the application of the tax on isolated or occasional sales.
- 1994 — Exemptions enacted for: special tooling (previously taxed at 4.5%); horses, other than racehorses; and used farm machinery (7/1/94-6/30/95).
  - Rate on replacement capital equipment reduced from 6.5% to 5.5% and phased down to 2%.
  - Local option tax of 0.5% repealed; state rate increased by 0.5% (7/1/96).
  - Additional tax on motor vehicle rentals changed to an additional 6.2% on the rental charge.
- 1995 — Exemptions enacted for racehorses and used farm machinery (7/1/95 - 6/30/96).

- 1996 — Exemption for used farm machinery (7/1/96-6/30/97).  
 — Individual purchases for personal use of \$770 or less exempted from use tax (1/1/97).
- 1997 — Exemptions enacted for replacement capital equipment, previously taxed at a reduced rate (7/1/98) and materials used in providing taxable services (7/1/99).  
 — Used farm machinery exemption made permanent.
- 1998 — Tax on new farm machinery phased out.

#### Comparison With Other States — 1998

|              | Rate               | Local Option Sales Tax |
|--------------|--------------------|------------------------|
| California   | 7.25% <sup>a</sup> | Yes                    |
| Illinois     | 6.25%              | Yes                    |
| Iowa         | 5.0%               | Yes <sup>b</sup>       |
| Michigan     | 6.0% <sup>c</sup>  | No                     |
| MINNESOTA    | 6.5% <sup>d</sup>  | No                     |
| New York     | 4.0% <sup>e</sup>  | Yes                    |
| North Dakota | 5.0% <sup>f</sup>  | Yes                    |
| South Dakota | 4.0%               | Yes                    |
| Texas        | 6.25%              | Yes                    |
| Wisconsin    | 5.0%               | Yes <sup>g</sup>       |

- a. Includes 1.25% state-administered sales and use tax imposed in every county. Additional district taxes of 0.125% to 0.50% may apply.
- b. Local sales tax may be imposed based on voter approval in each jurisdiction. The rate is up to 1%.
- c. Rate is 4% for residential electricity and heating fuels.
- d. General rate. See page 19 for other rates. (See Local Tax Section for specially-authorized taxes.)
- e. Additional 0.25% rate imposed in some counties for the Metropolitan Commuter Transportation District.
- f. 3% on farm machinery and repair parts, and mobile homes; 7% on alcoholic beverages.
- g. Used in 49 of 72 counties.

Of the comparison states, only South Dakota does not exempt food products. Prescription drugs are also generally exempted in these states. Only Minnesota exempts clothing.

#### MOTOR VEHICLE SALES 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%.

Flat tax in lieu of the 6.5% tax: \$10 for passenger cars ten years or older with value of less than \$3,000; \$90 for collector vehicles.

**Credit:** 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. 1997 | \$393,710,000 |
|              | F.Y. 1998 | \$443,471,000 |

Disposition: State General Fund

#### Administration

Agency: Minnesota Department of Public Safety

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

Payment Date: 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%.
- 1983 — Rate increased to 6%.  
 — Purchase price reduced by federal excise taxes.
- 1985 — Enacted a \$10 tax on passenger cars at least ten years old in lieu of the 6% tax.
- 1987 — Exemptions repealed for purchases by nonprofit organizations and state and local governments.
- 1988 — Flat tax of \$90 on collector vehicles enacted in lieu of the 6% tax.

- 1991 — Rate temporarily increased from 6% to 6.5% (7/1-12/31/91). Local option tax for counties of 0.5% enacted (1/1/92).
- 1994 — Local option tax of 0.5% repealed; state rate increased by 0.5% (7/1/96).
- 1997 — Exemption enacted for vehicles donated to a 501(c)(3) organization.
- 1998 — Exemptions enacted for ready-mix concrete trucks and town purchases of road maintenance vehicles.

#### Comparison With Other States - 1998

|              | Rate                    |
|--------------|-------------------------|
| California*  | 7.25%-8.5% <sup>a</sup> |
| Illinois*    | 6.25%                   |
| Iowa*        | 5.0%                    |
| Michigan*    | 6.0%                    |
| MINNESOTA    | 6.5%                    |
| New York*    | 4.0% <sup>b</sup>       |
| North Dakota | 5.0%                    |
| South Dakota | 3.0%                    |
| Texas        | 6.25%                   |
| Wisconsin*   | 5.0% <sup>c</sup>       |

- \* Motor vehicles in these states are taxed under the general sales and use tax.
- a. Including local taxes, which vary by county.
- b. Additional 0.25% rate imposed in certain counties for the benefit of the Metropolitan Commuter Transportation District.
- c. Local tax of 0.5% imposed in 49 of 72 counties. Stadium tax of 0.1% imposed in 5 counties.

#### MOTOR FUELS EXCISE TAXES

Minnesota Statutes, Sections 296.02 and 296.025

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

#### Rates:

##### Highway Fuels:

- E85-14.2¢ per gallon
- M85-11.4¢ per gallon
- All other gasoline-20¢ per gallon
- Liquefied petroleum gas or propane-15¢ per gallon
- Liquefied natural gas-12¢ per gallon
- Compressed natural gas-\$1.739 per thousand cubic feet
- All other special fuel (diesel)-20¢ per gallon

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

| <u>Annual Gallons</u> | <u>Rate After Refund</u> |
|-----------------------|--------------------------|
| Up to 50,000          | 5.0¢                     |
| 50,001-150,000        | 2.0¢                     |
| 150,001-200,000       | 1.0¢                     |
| Over 200,000          | 0.5¢                     |

**Credit:** Gasohol sold to governments and schools (phased out by 10/1/99).

**Exemption:** Transit systems receiving state assistance.

**Special Provision:** Motor carriers pay the road tax of 20¢ per gallon for gasoline or special fuel used in Minnesota.

#### Revenue

| Collections: | Highway Fuels | Aviation Fuels |
|--------------|---------------|----------------|
| F.Y. 1997    | \$533,113,000 | \$2,968,000    |
| F.Y. 1998    | \$548,365,000 | \$3,080,000    |

#### Disposition:

Aviation Fuels — State Airports Fund.

#### Highway Fuels

- 1.5% Water Recreation Account
- 0.75% Snowmobile Trails and Enforcement Account
- 0.15% All-Terrain Vehicle Account
- 0.164% Off-Road Vehicle Account
- 0.046% Off-Highway Motorcycle Account
- Balance Highway User Tax Distribution Fund

## Administration

Agency: Minnesota Department of Revenue.

Who Pays: In general, distributors collect and remit the tax; in some cases, it is the special fuel dealer or bulk purchaser.

Payment Dates: 23rd day of month following purchase.

## History of Major Changes

- 1925 — Enacted at 2¢ per gallon on highway fuel.
- 1929 — Increased to 3¢ per gallon.
- 1937 — Temporary increase to 4¢ per gallon.
- 1941 — Rate of 4¢ made permanent.
- 1945 — Aviation fuel tax enacted at 4¢ per gallon
- 1949 — Increased to 5¢ per gallon on highway fuel.
- 1963 — Increased to 6¢ per gallon.
- 1967 — Increased to 7¢ per gallon.
- 1975 — Increased to 9¢ per gallon.
- 1980 — Increased to 11¢ per gallon.
  - Enacted 2¢ per gallon rate reduction for gasohol.
- 1981 — Increased to 13¢ per gallon.
- 1983 — Increased to 16¢ per gallon and to 17¢ (1984).
  - Rate reduction for gasohol increased to 4¢.
  - Enacted 8¢ per gallon rate reduction for gasohol sold to governments and schools.
  - Aviation fuel rate increased from 4¢ to 5¢.
- 1985 — Replaced the reduced rates for gasohol with credits to distributors.
  - Enacted an annual user permit fee on vehicles using compressed natural gas.
- 1986 — Reduced the amount of the credits to distributors for fuel-grade alcohol used to produce gasohol.
- 1988 — Increased from 17¢ to 20¢ per gallon, (5/1/88).
  - Annual permit fees increased, extended to propane.
- 1991 — Annual permit fees extended to all alternate fuels.
- 1993 — Alternate fuel permit repealed.
- 1994 — Alternate fuel permit reenacted.
  - Gasohol credit phased out.
- 1995 — Alternate fuel permit repealed and replaced by differing rates on LPG, LNG, and CNG.
- 1996 — Gasohol credit for governments and schools phased out from 80¢ to zero on 10/1/99.
- 1998 — Credit for rerefined waste oil repealed.

## Comparison With Other States — 1998

|              | Rates Per Gallon |                  |                    |       |                  |                   |                   |
|--------------|------------------|------------------|--------------------|-------|------------------|-------------------|-------------------|
|              | Highway Fuel     |                  |                    | LNG   | CNG <sup>a</sup> | Aviation          |                   |
|              | Gasoline         | Diesel           | Gasohol            | LP    |                  | Gasoline          | Special Fuels     |
| California   | 18¢              | 18¢ <sup>b</sup> | 9¢                 | 6¢    | 6¢               | 2¢                | 2¢                |
| Illinois     | 19¢              | 21.5¢            | 19¢                | 19¢   | 19¢              | 0¢                | 0¢                |
| Iowa         | 20¢              | 22.5¢            | 19¢                | 20¢   | 16¢              | 8¢                | 3¢                |
| Michigan     | 19¢              | 21¢ <sup>c</sup> | 19¢                | 15¢   | 0¢               | 3¢ <sup>d</sup>   | 3¢ <sup>d</sup>   |
| MINNESOTA    | 20¢              | 20¢              | 11.4¢ <sup>e</sup> | 15¢   | 12¢              | 5¢ <sup>f</sup>   | 5¢ <sup>f</sup>   |
| New York     | 8¢               | 8¢               | 8¢                 | 8¢    | — <sup>g</sup>   | 5.8¢ <sup>h</sup> | 5.8¢ <sup>h</sup> |
| North Dakota | 20¢              | 20¢              | 20¢                | 20¢   | 20¢              | 8¢                | 8¢                |
| South Dakota | 18¢              | 18¢              | 16¢                | 16¢   | 18¢              | 6¢                | 4¢                |
| Texas        | 20¢              | 20¢              | 20¢                | 15¢   | 15¢              | 20¢               | 20¢               |
| Wisconsin    | 25.4¢            | 25.4¢            | 25.4¢              | 18.6¢ | 20.3¢            | 6¢                | 6¢                |

<sup>a</sup>Tax per 100 cubic feet.

<sup>b</sup>Plus 8.34¢ surcharge on diesel fuel purchased out of state and used in California by interstate truckers.

<sup>c</sup>6¢ per gallon discount for diesel fuel for commercial licensees under Motor Fuel Tax Act.

<sup>d</sup>Tax reduced to 1.5¢ for scheduled flights.

<sup>e</sup>Methanol is 11.4¢ and ethanol is 14.2¢.

<sup>f</sup>Rate after refund (based on annual purchases) is 0.5¢, 1¢, or 2¢.

<sup>g</sup>LNG transport is prohibited in New York.

<sup>h</sup>Fuels excise tax does not apply to aviation use in New York; rates shown are for the separate petroleum business tax.



## ALCOHOLIC BEVERAGE TAXES

Minnesota Statutes, Section 297G.03, 297G.04, and 297G.05

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

### Rates:

|                           | <u>Tax</u>       |                                     |
|---------------------------|------------------|-------------------------------------|
|                           | <u>Per Liter</u> | <u>Per Gallon</u>                   |
| Beer: Alcohol by Weight   |                  | <u>Tax per Barrel of 31 Gallons</u> |
| 3.2% or less              |                  | \$2.40                              |
| More than 3.2%            |                  | \$4.60                              |
| Distilled Spirits         | \$1.33           | \$5.03                              |
| Wine: Alcohol by Volume   |                  |                                     |
| 14% or less               | \$.08            | \$.30                               |
| 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                                |
| Cider: 0.5% to 7% alcohol | .04              | .15                                 |

**Credit:** Credit of \$4.60 per barrel on the first 25,000 barrels produced each year for sale within Minnesota by a small brewer (produced less than 100,000 barrels).

**Exemptions:** Wine for sacramental purposes. Wine or beer made at home. Alcoholic beverages sold to food processors and pharmaceutical firms. 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 200 milliliter and larger. 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. 1997    | \$38,312,000      | \$14,784,000 | \$3,302,000 |
| F.Y. 1998    | \$39,100,000      | \$15,004,000 | \$3,306,000 |

Disposition: State General Fund

## Administration

Agency: Minnesota Department of Revenue

**Who Pays:** For distilled spirits and wine, licensed manufacturers or wholesalers. For beer, brewers, importers, or wholesalers.

**Payment Dates:** 18th day of month following the month in which sale is made. Accelerated payment of 75% of June liability due 2 business days before June 30 for filers required to pay by electronic funds transfer.

### 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 10¢ to 60¢ per gallon for wine.
- 1937 — Liquor tax increased to \$1 per gallon on liquor over 24% alcohol.
- 1947 — Increased rates of tax.
- 1959 — Beer tax increased to \$1.60 per barrel for 3.2% and \$3.20 for strong beer.
  - 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 tax rates increased.
- 1973 — Distilled spirits tax reduced from \$4.53 to \$4.39.
  - Minnesota brewers' credit enacted.
- 1979 — Sparkling wine tax reduced from \$3.08 to \$1.50.
- 1985 — Minnesota brewers' credit repealed.
  - Small brewers' credit enacted.
- 1986 — Accelerated June payment enacted.
- 1987 — Rates increased: distilled spirits to \$5.03 per gallon; all categories of wine; 3.2% beer to \$2.40 per barrel and strong beer to \$4.60 per barrel.
- 1989 — Small brewers' credit increased.
- 1998 — Separate tax of 15¢ per gallon enacted for cider.

Comparison With Other States 1998

|              | Distilled Spirits<br>Per Gallon                     | Beer Per Barrel<br>(31 Gallons)        | 14% or Less         | Wine Per Gallon<br>More Than 14% | Sparkling |
|--------------|---|--|---------------------|----------------------------------|-----------|
| California   | \$3.30 ≤ 100 proof<br>\$6.60 > 100 proof            | \$6.20                                 | \$ .20              | \$ .20                           | \$ .30    |
| Illinois     | \$2.00  | \$2.17                                 | \$ .23              | \$ .60                           | \$ .23    |
| Iowa         | 50% markup <sup>a</sup>                             | \$5.89                                 | \$1.75 <sup>a</sup> | \$1.75                           | \$1.75    |
| Michigan     | 65% markup plus<br>12%-13.85% of price <sup>b</sup> | \$6.30                                 | \$ .51 <sup>c</sup> | \$ .76 <sup>c</sup>              | \$ .51    |
| MINNESOTA    | \$5.03  | \$2.40 ≤ 3.2%<br>\$4.60 strong         | \$ .30              | \$ .95-\$3.52                    | \$1.82    |
| New York     | \$2.53 ≤ 24%<br>\$6.43 > 24%                        | \$4.96                                 | \$ .19              | \$ .19                           | \$ .19    |
| North Dakota | \$2.50  | \$2.48 bulk<br>\$4.96 bottles and cans | \$ .50 <sup>c</sup> | \$ .60 <sup>c</sup>              | \$1.00    |
| South Dakota | \$3.93  | \$8.50                                 | \$ .93              | \$1.45-\$2.07                    | \$2.07    |
| Texas        | \$2.40  | \$6.00                                 | \$ .204             | \$ .408                          | \$ .516   |
| Wisconsin    | \$3.25  | \$2.00                                 | \$ .25              | \$ .45                           | \$ .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-premise sales; 13.85% applies to off-premise sales.

c Rates change at 16% rather than 14% for Michigan and at 17% for North Dakota.

CIGARETTE TAX

Minnesota Statutes, Section 297F.05

**Tax Base:** Cigarettes sold or used in Minnesota.

**Rate:** 48¢ per pack of 20 cigarettes.

**Credits:** Distributors receive a 1% discount on the first \$1,500,000 of stamps purchased annually and 0.6% on excess.

**Revenue**

|              |           |               |
|--------------|-----------|---------------|
| Collections: | F.Y. 1997 | \$180,571,000 |
|              | F.Y. 1998 | \$180,342,000 |

**Disposition:**

Debt service on specified bonds (paid first)  
Minnesota Future Resources Fund—2¢ per pack  
State General Fund—Balance

**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 75% of June liability due 2 business days before June 30 for filers required to pay by electronic funds transfer.

**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.
- 1986 — Accelerated June payment enacted.
- 1987 — Increased to 38¢ per pack.
- 1991 — Rate increased to 43¢ per pack.
- 1992 — Rate increased to 48¢ per pack.

**Comparison With Other States — 1998**

|              | Rate Per Pack of 20 |
|--------------|---------------------|
| California   | 87¢                 |
| Illinois     | 58¢                 |
| Iowa         | 36¢                 |
| Michigan     | 75¢                 |
| MINNESOTA    | 48¢                 |
| New York     | 56¢                 |
| North Dakota | 44¢                 |
| South Dakota | 33¢                 |
| Texas        | 41¢                 |
| Wisconsin    | 59¢                 |

**TOBACCO PRODUCTS TAX**

Minnesota Statutes, Section 297F.05

**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.

**Revenue**

|              |           |              |
|--------------|-----------|--------------|
| Collections: | F.Y. 1997 | \$13,278,000 |
|              | F.Y. 1998 | \$13,798,000 |

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 75% of June liability due 2 business days before June 30 for filers required to pay by electronic funds transfer.

**History of Major Changes**

- 1955 — Enacted at rate of 15% of wholesale price.
- 1959 — Rate increased to 20%.
- 1985 — Rate increased to 25%.
- 1986 — Accelerated June payment enacted.
- 1987 — Rate increased to 35%.

**Comparison With Other States — 1998**

|              |   |
|--------------|---|
| California   | 26.17% of wholesale price.                        |
| Illinois     | 18% of wholesale price.                           |
| Iowa         | 22% of wholesale price.                           |
| Michigan     | 16% of wholesale price.                           |
| MINNESOTA    | 35% of wholesale price.                           |
| New York     | 20% of wholesale price.                           |
| North Dakota | 28% of wholesale price.                           |
| South Dakota | 10% of wholesale price.                           |
| Texas        | 35.213% of factory list; variable rate on cigars. |
| Wisconsin    | 20% of manufacturer's list price.                 |

**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.

**Credit:** Tax paid to another state or local government.

**Revenue**

|              |           |           |
|--------------|-----------|-----------|
| Collections: | F.Y. 1997 | \$112,000 |
|              | F.Y. 1998 | \$106,000 |

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.  
1989 — Credit enacted for a controlled substance tax paid to another state or local government.

### Comparison With Other States — 1998

|             | Marijuana<br>Per Gram | Controlled Substance |                  |
|-------------|-----------------------|----------------------|------------------|
|             |                       | Per Gram             | Other*           |
| Iowa        | \$5.00                | \$250                | \$400/10 units   |
| MINNESOTA   | \$3.50                | \$200                | \$400/10 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, Illinois, Michigan, New York, North Dakota, 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. 1997 | \$48,515,000 |
| (state portion) | F.Y. 1998 | \$67,641,000 |

#### Disposition:

|                     |     |
|---------------------|-----|
| State General Fund  | 97% |
| County Revenue Fund | 3%  |

#### Administration

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

Who Pays: The lender who records or registers a mortgage of real property.

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

#### History of Major Changes

- 1907 — Enacted at 50¢ per \$100 of principal debt.  
1913 — Changed to 15¢ per \$100 if mortgage is for 5 years or less; 25¢ for more than 5 years.  
1945 — Changed to 15¢ per \$100 on any mortgage.  
1987 — Rate increased to 23¢ for each \$100 of debt.  
1991 — Reverse mortgages subject to tax.

#### Comparison With Other States — 1998

MINNESOTA 23¢ per \$100 of principal debt.

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

The other comparison states do not have a 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.

**Major Exemptions:** Executory contracts for the sale of land; mortgages; wills; plats; leases; cemetery lot deeds; deeds of distribution by personal representatives; transfers between co-owners partitioning undivided interest in the same piece of property; and transfers between the parties pursuant to a decree of marriage dissolution.

### Revenue

|                 |           |              |
|-----------------|-----------|--------------|
| Collections:    | F.Y. 1997 | \$46,246,000 |
| (state portion) | F.Y. 1998 | \$52,566,000 |

### Disposition:

|                     |     |
|---------------------|-----|
| State General Fund  | 97% |
| County Revenue Fund | 3%  |

### Administration

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

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

Payment Dates: At the time of transfer.

### History of Major Changes

- 1961 — Enacted at \$1.10 for first \$1,000 of consideration and 55¢ for each additional \$500.
- 1967 — Increased to \$2.20 for first \$1,000 and \$1.10 for each additional \$500.
- 1973 — Included corporations in those subject to tax.
- 1987 — Rate increased to \$1.65 for \$500 or less and \$1.65 for each additional \$500.
  - Extended tax to personal property transferred as part of total consideration.
  - Eliminated exemption for state and local governments.

### Comparison With Other States - 1998

California 55¢ per \$500 consideration after the first \$100 at the city or county option. The full sales price is subject to tax.

Illinois 50¢ per \$500 consideration.

Iowa 80¢ per \$500 consideration after the first \$500.

Michigan \$3.75 per \$500 value state real estate transfer tax, plus county tax of 55¢ per \$500 if population under 2 million, 75¢ per \$500 if population 2 million or more.

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

New York \$2 per \$500 consideration after the first \$100. For residences with consideration of \$1 million or more, an extra \$5 per \$500 of consideration.

South Dakota 50¢ per \$500 consideration.

Wisconsin 30¢ per \$100 consideration.

North Dakota and Texas do not impose a deed transfer tax.

## GAMBLING TAXES

### LAWFUL GAMBLING TAX

Minnesota Statutes, Section 297E.02

**Tax Base:** Gross receipts of a licensed organization from bingo, raffles, and paddlewheels less prizes paid out.

**Rate:** 9.5%

**Major Exemptions:** 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. 1997 | \$2,136,000 |
|              | F.Y. 1998 | \$2,310,000 |

Disposition: State General Fund

#### Administration

Agency: Minnesota Department of Revenue

Who Pays: Licensed fraternal, religious, veterans, and other nonprofit organizations.

Payment Date: 20th of the month.

#### History of Major Changes

1984 — Enacted.

1986 — Pull-tabs exempted, 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.

1988 — Tipboards exempted; made subject to pulltab tax.

1998 — Rate reduced from 10% to 9.5%.

#### Comparison With Other States — 1998

|              |   |
|--------------|---|
| Illinois     | 3% of gross proceeds for charitable games,<br>5% of gross proceeds for bingo.                               |
| MINNESOTA    | 9.5% on gross receipts less prizes.   |
| North Dakota | 5% - 20% on adjusted gross proceeds.  |
| Texas        | 5% of value of prizes awarded at bingo<br>games; 3% on gross rentals of premises to<br>conduct bingo games. |
| Wisconsin    | 2% on bingo gross proceeds.   |

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

## PULL-TAB AND TIPBOARD TAX

Minnesota Statutes, Section 297E.02

**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:** 1.9%

**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. 1997 | \$29,910,000 |
|              | F.Y. 1998 | \$29,271,000 |

Disposition: State General Fund

#### Administration

Agency: Minnesota Department of Revenue.

Who Pays: Licensed distributors.

Payment Date: 20th of the 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 pull-tab tax.

1989 — Tax changed from 10% of ideal net to 2% of ideal gross.

1996 — Refund allowed to organizations for tax on unsold tickets.

1998 — Rate reduced from 2% to 1.9%.

#### Comparison With Other States — 1998

|              |                         |
|--------------|-------------------------|
| Illinois     | 5% of gross receipts.   |
| MINNESOTA    | 1.9% of ideal gross.    |
| North Dakota | 4.5% of gross receipts. |

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

**COMBINED RECEIPTS TAX**  
Minnesota Statutes, Section 297E.02

**Tax Base:** Gross receipts from pull-tabs and tipboards.

**Graduated Rate Schedule:**

| <u>Fiscal Year Receipts</u> | <u>Tax Rate</u> |
|-----------------------------|-----------------|
| First \$500,000             | 0%              |
| \$500,001 - \$700,000       | 1.9%            |
| \$700,001 - \$900,000       | 3.8%            |
| Over \$900,000              | 5.7%            |

**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. 1997 | \$30,276,000 |
|              | F.Y. 1998 | \$30,625,000 |

Disposition: State General Fund

**Administration**

Agency: Minnesota Department of Revenue.

Who Pays: Licensed fraternal, religious, veterans, and other nonprofit organizations.

Payment Date: 20th day of the month.

**History of Major Changes**

1989 — Enacted, effective 10/1/89.

1998 — Rates reduced.

**Comparison With Other States — 1998**

|           |  |
|-----------|--|
| Illinois  | Tax on riverboat gambling: graduated rates of 15% to 35% of adjusted gross receipts; admission tax of \$2.   |
| Iowa      | Tax on excursion boat gambling and slot machines at race tracks based on adjusted gross receipts of the licensee: graduated rates of 5%, 10%, and 20%. |
| MINNESOTA | Tax on pull-tab and tipboard receipts of an organization: graduated rate schedule of 0%, 1.9%, 3.8% and 5.7%.  |

The other comparison states do not impose a similar tax.

**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 in excess of \$12 million annually. The takeout is 17% for straight pools; 23% for multiple pools.

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

**Revenue**

|              |           |           |
|--------------|-----------|-----------|
| Collections: | F.Y. 1997 | \$854,000 |
|              | F.Y. 1998 | \$794,000 |

**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.

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

1996 — One-year exemption of first \$12 million of the takeout.

1998 — Exemption of first \$12 million made permanent.

**Comparison with Other States — 1998**

| <b>Dog Racing</b> |                      |                   | <b>Tax Rate</b> |
|-------------------|----------------------|-------------------|-----------------|
|                   | <b>Taxable Event</b> | <b>Tax Base</b>   |                 |
| Iowa              | Greyhound            | Gross sum wagered | 4%-6%           |
| South Dakota      | Greyhound simulcast  | Season handle     | 4.5%            |
| Texas             | Greyhound            | Daily handle      | 2%-5%           |
| Wisconsin         | Greyhound            | Daily handle      | 2%-8.67%        |

### Horse Racing

|                 | Taxable Event  | Tax Base  | Tax Rates           |             |
|-----------------|--|---|---------------------|-------------|
| California      | Thoroughbred   | Ontrack handle  | 4.8% - 7.5%         |             |
|                 |  | Offtrack handle   | 2.5% - 4%           |             |
|                 | Quarterhorse/harness   | Total handle.   | 1%                  |             |
|                 | Fair racing  | Ontrack handle  | 2.5% - 4.5%         |             |
| Offtrack handle |  | 1.5% - 3%   |                     |             |
| Illinois        | Cook County races  | Daily handle  | 2%                  |             |
|                 |  | Downstate races   | 1st \$400,000 daily | 1%          |
|                 |  | Excess over \$400,000   | 2%                  |             |
|                 | (Additional tax on multiple wagering pools)                      | Admission   | Per person          | 15¢         |
| Iowa            | Live races   | Gross sum wagered   | 6%                  |             |
|                 |  | Simulcast races   | Gross sum wagered   | 2%          |
|                 | (Credits to licensees for debt retirement or operating expenses) |   |                     |             |
| Michigan        | Live races   | No tax  |                     |             |
|                 |  | Simulcast races   | All wagering        | 3.5%        |
| MINNESOTA       | Live and simulcast races   | Total bet   | 1%                  |             |
|                 |  | Annual takeout exceeding \$12 million   | 6%                  |             |
|                 |  |   |                     |             |
| New York        | On-track betting   | Thoroughbred  | Breakage            | 20%         |
|                 |  |   | Betting handle      | 1% - 7.5%   |
|                 | Standardbred   | Standardbred  | Breakage            | 50%         |
|                 |  |   | Betting handle      | 0.5% - 1.5% |
|                 | Off-track betting  | Admissions  | Betting handle      | 0.5% - 1.5% |
|                 |  |   | Admission charge    | 4%          |
| North Dakota    | Live/Simulcast   | Betting handle  | 2% - 4%             |             |
| South Dakota    | Live races   | Total exceeding 1.25% retained by licensee or remitted to county w/o breakage | 4/17                |             |
|                 |  | Simulcast races   | Daily handle        | 4.5%        |
| Texas           | Live/Simulcast   | Daily handle  | 1% - 5%             |             |
| Wisconsin       | Simulcast (no live racing)                                       | Daily handle  | 1% - 3%             |             |

### SPORTS BOOKMAKING TAX

Minnesota Statutes, Section 297E.03

**Tax Base:** Value of all bets received by a person engaged in sports bookmaking. Sports bookmaking (a felony) is defined in the criminal code as intentionally receiving, recording, or forwarding more than 5 bets within a 30-day period that total more than \$2,500 on any one or more sporting events.

**Rate:** 6%

**Revenue**

|              |           |         |
|--------------|-----------|---------|
| Collections: | F.Y. 1997 | \$3,000 |
|              | F.Y. 1998 | \$5,000 |

Disposition: State General Fund

#### Administration

Agency: Minnesota Department of Revenue

Who Pays: Persons engaged in receiving, recording, forwarding or accepting sports bookmaking bets.

Payment Dates: 20<sup>th</sup> day of the month following sports bookmaking activity.

#### History of Major Changes

1993 — Enacted.

#### Comparison With Other States — 1998

None of the other comparison states imposes a tax on illegal sports bookmaking.



**GROSS EARNINGS TAXES  
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.
- 1.26% — Mutual property and casualty companies with assets more than \$5 million but less than \$1.6 billion as of 12/31/89.
- 1.0%\* — Health maintenance organizations; nonprofit health service plan corporations; and community integrated service networks.
- 1.0% — Mutual property and casualty companies with assets less than \$5 million and town and farmers' mutual insurance companies.
- 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.

\* Not imposed on entities that meet statutory cost containment goals.

**Special Provision:** Foreign companies are subject to retaliatory tax increase.

**Major Exemptions:** fraternal benefit societies and Minnesota's comprehensive health association plan premiums.

**Revenue**

|              |           |               |
|--------------|-----------|---------------|
| Collections: | F.Y. 1997 | \$176,492,000 |
|              | F.Y. 1998 | \$151,542,000 |

**Disposition:**

Health Care Access Fund — taxes paid by health maintenance organizations; nonprofit health service plan corporations, and community integrated service networks.

State General Fund — taxes paid by other companies.

(The proceeds from the tax on certain types of premiums are paid as aids to local fire and police departments.)

**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% 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.
- 1987 — Exemptions removed from domestic mutual insurance companies, cooperative life and casualty companies, and premiums paid to Workers' Comprehensive Reinsurance Association.
  - Eliminated the credit for payments to the Minnesota Comprehensive Health Association.
- 1988 — Tax rate for certain mutual property and casualty insurance companies phased down from 2% for 1988 to 0.5% for 1992 and after.
- 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.
- 1994 — Credit enacted for guaranty association assessments.
- 1995 — Rate increased from 0.5% to: 1.26% for mutual property and casualty companies with assets between \$5 million and \$1.6 billion; and 1.0% for town and farmers' mutual companies and for mutual property and casualty companies with less than \$5 million in assets.
- 1997 — One-year exemption enacted for health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks that meet specified cost containment goals for 1996 and also for 1997.
  - For each year after 1999, the 1% premiums tax on health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks not imposed unless a structural deficit is forecast for the Health Care Access Fund
- 1998 — Health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks made exempt for April through December 1999.

## Comparison With Other States - 1998

|              | Premiums Tax Rate  |
|--------------|--|
| California   | 2.35%.   |
| Illinois     | 0.4% to 3%.  |
| Iowa         | 2%.  |
| MINNESOTA    | See rates on previous page.  |
| New York     | 0.8% to 1.3%; top rate of 0.4% or \$5,000 for captive insurers.  |
| 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        | 1.75% for life, accident, and health insurance; 1.6% to 3.5% for property and casualty insurance; and 1.3% to 2.0% on title insurance.   |
| Wisconsin    | 2% on casualty and foreign life insurance companies; 2.375% on fire insurance; 0.5% on marine insurance; 3.5% of gross income (except interest on reserves and premiums on annuities) for domestic life insurance companies. |

Michigan has no insurance premiums tax. Insurers pay the single business tax at an effective rate of 1% after credits.

## HEALTH CARE PROVIDER SURCHARGES

Minnesota Statutes, Sections 256.9657, 256B.19

### Tax Base and Rates:

Licensed nursing homes, other than state-operated: \$625 per licensed bed. For county-owned nursing homes, an additional \$5,723 per licensed bed.

Hospitals: 1.56% of net patient revenues, excluding Medicare. For Hennepin County Medical Center (HCMC) and the University of Minnesota Hospital, an additional 1.8% of net patient revenues excluding Medicare, plus monthly payments of \$1.5 million by HCMC and \$500,000 by the University of Minnesota Hospital.

Health maintenance organizations and community integrated service networks: 0.6% of total premium revenues.

### Revenue

|              |           |               |
|--------------|-----------|---------------|
| Collections: | F.Y. 1997 | \$124,818,000 |
|              | F.Y. 1998 | \$121,143,000 |

Disposition: State General Fund

### Administration

Agency: Department of Human Services

Who Pays: Nursing homes, hospitals, health maintenance organizations, community integrated service networks.

Payment Dates: 15<sup>th</sup> of each month.

### History of Major Changes:

1991 — Enacted, on hospitals and nursing homes.

1992 — Tax base and rates for hospitals and nursing homes changed. Additional surcharge of 2% for county hospitals in Hennepin and Ramsey.

— Surcharge extended to physicians and health maintenance organizations.

1993 — Rates increased for nursing homes and hospitals.

— Additional surcharge for Ramsey County deleted.

— Surcharges for the University of Minnesota and county nursing homes enacted.

1997 — Physician surcharge repealed.

## MINNESOTACARE TAXES

Minnesota's health care access program, MinnesotaCare, is funded by the three taxes in this section. The MinnesotaCare pharmacy tax was repealed in 1997. Funding is also derived from a premiums tax on health maintenance organizations and nonprofit health service plan corporations.

### HOSPITAL AND SURGICAL CENTER TAX Minnesota Statutes, Section 295.52, Subd. 1 and 1a

**Tax Base:** Gross revenues for patient services.

**Rate:** 1.5%

**Major Exemptions:** Medicare payments; medical assistance payments; general assistance medical care payments; payments received from hospitals, surgical centers, and health care providers subject to MinnesotaCare taxes; MinnesotaCare program payments; home health care and hospice services.

**Credit:** Tax paid to another state.

#### Revenue

|              |           |              |
|--------------|-----------|--------------|
| Collections: | F.Y. 1997 | \$44,499,000 |
|              | F.Y. 1998 | \$32,173,000 |

Disposition: Health Care Access Fund

#### Administration:

Agency: Minnesota Department of Revenue

Who Pays: Hospitals and surgical centers.

Payment and Filing Dates: Monthly estimated tax payments - 15<sup>th</sup> of the following month. Annual return - March 15.

#### History of Major Changes

- 1992 — Enacted, effective 1/1/93.
- 1997 — Rate reduced from 2% to 1.5% for 1998 and 1999 and extended to 2000 and 2001 if estimated positive balance for the Health Care Access Fund.
  - Medical supplies, appliances, and equipment removed from tax base.
  - Research deduction sunsetted after 1999.
  - Research credit enacted equal to 2.5% of qualifying expenditures, effective in 2000.

## HEALTH CARE PROVIDER TAX

Minnesota Statutes, Section 295.52, Subd. 2

**Tax Base:** Gross revenues for patient services.

**Rate:** 1.5%

**Major Exemptions:** Medicare payments; medical assistance payments; general assistance medical care payments; payments received from hospitals, surgical centers, and health care providers subject to MinnesotaCare taxes; MinnesotaCare program payments; home health care and hospice services.

**Credit:** Tax paid to another state.

#### Revenue

|              |           |              |
|--------------|-----------|--------------|
| Collections: | F.Y. 1997 | \$78,768,000 |
|              | F.Y. 1998 | \$77,868,000 |

Disposition: Health Care Access Fund

#### Administration

Agency: Minnesota Department of Revenue

Who Pays: Health care providers that furnish directly to a patient or consumer the following goods or services: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services, or any other goods or services that qualify for medical assistance reimbursement. A staff model health carrier or a licensed ambulance service is also a health care provider. Hospitals, nursing homes, pharmacies, and surgical centers are not considered health care providers for purposes of this tax.

Payment and Filing Dates: Quarterly estimated tax payments - the 15<sup>th</sup> of April, July, October, and the following January. Annual return - March 15.

#### History of Major Changes

- 1992 — Enacted, effective on 1/1/94
- 1997 — Rate reduced from 2% to 1.5% for 1998 and 1999 and extended to 2000 and 2001 if estimated positive balance for the Health Care Access Fund.
  - Medical supplies, appliances, and equipment removed from tax base.
  - Research deduction sunsetted after 1999.
  - Research credit equal to 2.5% of qualifying expenditures, effective in 2000.

## 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:** 1.5%

**Credit:** Tax paid to another state

### Revenue

|              |           |              |
|--------------|-----------|--------------|
| Collections: | F.Y. 1997 | \$26,342,000 |
|              | F.Y. 1998 | \$28,085,000 |

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: Quarterly estimated tax payments - the 15<sup>th</sup> of April, July, October, and the following January. Annual return - March 15.

### History of Major Changes

1992 — Enacted, effective 1/1/94.  
1997 — Rate reduced from 2% to 1.5% for 1998 and 1999 and extended to 2000 and 2001 if positive balance for the Health Care Access.

## SEVERANCE AND TONNAGE TAXES MINERAL TAXATION

The production tax and other taxes on minerals are found in the Local Tax Section.

### OCCUPATION TAX

Minnesota Statutes, Section 298.01

**Tax Base:** Similar to the corporate franchise tax but starting point is the mine value of iron ore, taconite concentrates, or direct reduced ore mined or produced in Minnesota. Mine value is determined annually by the Commissioner of Revenue. Deductions allowed only for expenses necessary to convert raw iron ore, taconite concentrates, or other ore to marketable quality.

**Rate:** 9.8%. Non-unitary provisions result in 30% apportionment to Minnesota. 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. 1997    | \$184,000 | \$2,564,000 |
| F.Y. 1998    | \$213,000 | \$1,082,000 |

### Disposition:

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

\* Of this amount, an amount equal to 1.5¢ per taxable ton is appropriated to the Iron Range Resources and Rehabilitation Board (IRRRB) for environmental development or economic development loans or grants in Carlton and Koochiching counties.

### Administration

Agency: Minnesota Department of Revenue, Minerals Tax  
Office 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, reducing the rate.  
1947 — Rate increased to 11%; with credits rate reduced to minimum 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%, after credits 6.75%. Occupation tax on iron ore 15.5% after credits 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.  
1995 — Tax imposed on direct reduced ore. (No direct ore has been produced in Minnesota to date.)  
1996 — Appropriation to IRRRB for Carlton and Koochiching Counties increased from 1¢ to 1.5¢ per ton.

### Comparison With Other States — 1998

|              | 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 1% or less of market value annually to pay state administrative expenses. |
| MINNESOTA    | Iron ore, taconite concentrates, and direct reduced ores | 9.8% of taxable income  |
| North Dakota | Crude oil  | 5% of market value.   |
|              | Natural gas  | 3.85¢ 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   | \$4 per ounce of gold; 10% of net yield from sale of extracted minerals; plus an additional tax of from \$1 to \$4 per ounce of gold, depending on the price of gold.     |
|              | Energy minerals  | 4.5% of taxable value.  |
| Texas        | Natural gas  | 7.5% of market value.   |
|              | Oil production   | 4.6% of market value.   |
| Wisconsin    | 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.

### Revenue

Collections: No revenues have been collected to date.

Disposition: (based on where resources are mined)  
Outside the taconite tax relief area – State General Fund  
Within the taconite tax relief area:

|   |     |
|---|-----|
| City/town where mined/extracted             | 5%  |
| Taconite municipal aid account              | 10% |
| School district where mined/extracted       | 10% |
| Qualifying group of school districts        | 20% |
| County where mined/extracted                | 20% |
| Distributed as taconite homestead credit    | 20% |
| Iron Range Resources/Rehabilitation Board   | 5%  |
| NE Minnesota Economic Protection Trust Fund | 5%  |
| Taconite Environmental Protection Fund      | 5%  |

### Administration

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

Who Pays: Companies that mine or extract the resources.

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 - 1998

|           |   |
|-----------|---|
| 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 comparison states do not impose a net proceeds tax.

## TAXES IN LIEU OF PROPERTY TAXES

### MOTOR VEHICLE REGISTRATION TAX

Minnesota Statutes, Chapter 168

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

### Rate:

Passenger cars, pickup trucks, and vans: \$10 plus 1.25% of base value. The percentage of base value declines with the age of the vehicle: 100% in the 1st and 2nd years; 90% in the 3rd and 4th years; 75% in the 5th and 6th years; 60% in the 7th year; 40% in the 8th year; 30% in the 9th year; and 10% in the 10 year. 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.

**Major 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. 1997 | \$476,222,000 |
|             | F.Y. 1998 | \$510,956,000 |

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 upon renewal.

### History of Major Changes

1911 — Enacted at \$1.50 per vehicle.  
1921 — Rates 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.  
 1973 — New truck rates established.  
 1976 — Minimums on trucks, tractors, and combinations increased.  
 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.  
 1996 — Eliminated exemption for vehicles owned by representative of foreign powers.

### Comparison With Other States - 1998

|              | Passenger Cars         |  |
|--------------|------------------------|--|
|              | Tax Base               | Tax Rate   |
| California   | Value                  | \$29 plus 2% of market value   |
| Illinois     | Flat rate              | \$48   |
| Iowa         | Value and weight       | 1% of value plus 40¢/100lbs.   |
| Michigan     | Age, weight, and value | 1984 and after: \$5 plus 0.5% of list price based on age; \$35 minimum |
| MINNESOTA    | Value and age          | \$10 plus 1.25% of value based on age; \$35 minimum                    |
| New York     | Weight                 | \$10.25 - \$56   |
| North Dakota | Weight and age         | \$26 - \$251   |
| South Dakota | Weight                 | \$20 - \$40  |
| Texas        | Weight                 | \$40.50 - \$58.50<br>Over 6000 lbs:<br>\$25 plus 60¢/100lbs            |
| Wisconsin    | Flat rate              | \$45   |

### 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. Rate for taxes payable in 1999 was approximately 4.58%.

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

#### Computation:

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

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

equals: Minnesota value

times: tax capacity rate:

- 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 - percentage of property tax portion of the state airports fund to total tax capacity

equals: airflight property tax.

#### Revenue

|              |           |             |
|--------------|-----------|-------------|
| Collections: | F.Y. 1997 | \$8,872,000 |
|              | F.Y. 1998 | \$8,780,000 |

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.
- 1976 — Exempted aircraft weighing less than 30,000 lbs.
- 1987 — Schedule of ratios replaced 33 1/3% ratio.
  - Revenue yield specified by statute rather than the statewide average property tax mill rate.
- 1992 — Revenue yield changed 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. Iowa, New York, and North Dakota do not impose a property tax on airflight property. California and Texas have local taxes 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 is the base price, which 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:** Civil air patrol and government-owned aircraft.

#### Revenue

|              |           |             |
|--------------|-----------|-------------|
| Collections: | F.Y. 1997 | \$3,307,000 |
|              | F.Y. 1998 | \$3,363,000 |

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 — 1998

Michigan Aircraft weight tax of 1¢ per pound.

MINNESOTA 1% of value, based on age.

Wisconsin Annual fee: from \$30 for 2,000 lbs. or less to \$3,125 for more than 100,000 lbs.

The other comparison states do not impose a similar tax.

### RURAL ELECTRIC COOPERATIVE ASSOCIATIONS

Minnesota Statutes, Section 273.41

**Tax Base:** Number of members. The tax is in lieu of all personal property taxes on distribution lines and their attachments and appurtenances.

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

#### Revenue:

|              |           |          |
|--------------|-----------|----------|
| Collections: | F.Y. 1997 | \$46,000 |
|              | F.Y. 1998 | \$43,000 |

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



## WASTE TAXES

### HAZARDOUS WASTE GENERATOR TAX

Minnesota Statutes, Section 115B.22

**Tax Base:** Volume of hazardous waste generated.

#### Rates:

##### Generators That Produce Per Year

|                           |         |
|---------------------------|---------|
| More than 2,640 gallons   | \$500 * |
| From 264 to 2,640 gallons | \$200 * |
| From 10 to 264 gallons    | \$50    |
| 10 gallons or less        | \$0     |

\* Or quantity tax, whichever is larger.

#### Quantity Tax

Hazardous waste discharged to a publicly-owned wastewater treatment works or managed as a hazardous waste fuel or using thermal treatment: 1.5¢ per pound of solid or 15¢ per gallon of liquid.

Hazardous waste managed under any other method: 3¢ per pound of solid or 30¢ per gallon of liquid.

**Major Exemptions:** Hazardous waste that is: destined for recycling; or incineration at an approved facility in Minnesota; pretreated to a nonhazardous state under certain conditions; or generated as a result of a response action.

**Special Provision:** The tax is repealed on January 1, 2004.

#### Revenue

|              |           |             |
|--------------|-----------|-------------|
| Collections: | F.Y. 1997 | \$1,569,000 |
|              | F.Y. 1998 | \$1,698,000 |

Disposition: Environmental Fund, Environmental Response, Compensation, and Compliance Account.

#### Administration

Agency: Minnesota Department of Revenue

Who Pays: Generators of hazardous waste required to disclose such generation to the Pollution Control Agency or the metropolitan counties.

Payment Dates: Quarterly estimated tax payments due on the 15<sup>th</sup> of March, June, September, and December. Annual return due on April 15.

#### History of Major Changes

1983 — Enacted.

1984 — Exempted hazardous waste generated as residue from a hazardous waste incineration facility.

1993 — Existing tax repealed and replaced by a new tax structure in effect from 1994 to 2003.

#### Comparison With Other States — 1998

California, Iowa, New York, 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:

If the facility weighs the waste it accepts: \$6.66 per ton.

If the facility does not weigh the waste but measures the volume: \$2 per cubic yard.

**Exemption:** Waste residue from recycling or energy and resource recovery facilities at which solid waste is processed to extract, reduce, convert to energy, or otherwise separate and prepare it for reuse if at least 85% (by weight) of the solid waste is reduced.

#### Revenue

|              |           |             |
|--------------|-----------|-------------|
| Collections: | F.Y. 1997 | \$2,154,000 |
|              | F.Y. 1998 | \$2,347,000 |

#### Disposition:

|  |     |
|--|-----|
| Metropolitan Landfill Abatement Account, |     |
| Environmental Fund                       | 75% |
| Metropolitan Landfill Contingency        |     |
| Action Trust Fund                        | 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 Date: 20th day of the month for the previous month.

### History of Major Changes

- 1984 — Enacted.  
1989 — Rate increased from 50¢ to \$2 per cubic yard.  
1994 — Differential rate enacted for facility that weighs the waste it accepts.

### Comparison With Other States — 1998

|            |                                      |
|------------|--------------------------------------|
| California | \$1.34 per ton                       |
| Illinois   | 95¢ per ton                          |
| MINNESOTA  | \$2 per cubic yard or \$6.66 per ton |

None of the other comparison states imposes a solid waste fee.

### SOLID WASTE MANAGEMENT TAXES

Minnesota Statutes, Chapter 297H

**Tax Base:** Sales price of mixed municipal solid waste management services received.

### Rates:

- Residential generators: 9.75%:  
Commercial generators: 17%.  
Non-mixed-municipal solid waste: 60¢ per noncompacted cubic yard of periodic waste collection capacity purchased by the commercial generator. Other rates apply to construction debris and infectious and pathological waste.

### Revenue

| Collections: | Solid Waste Assessments | Solid Waste Mgt. Taxes |
|--------------|-------------------------|------------------------|
| F.Y. 1997    | \$21,390,000            | —                      |
| F.Y. 1998    | \$15,237,000            | \$16,454,000           |

Note: The solid waste generator assessments and the sales tax on solid waste management services were repealed and replaced by the solid waste management taxes on 1/1/98.

### Disposition:

|                  |   |
|------------------|---|
| Solid Waste Fund | 50% of revenues or \$22 million, whichever is greater |
| General Fund     | Remainder   |

### Administration

Agency: Minnesota Department of Revenue

Who Pays: Purchasers of waste collection services.

Who Remits: Providers of waste collection services collect and remit the tax.

Payment Dates: Same as the state sales tax.

### History of Major Changes

- 1993 — Enacted tax on mixed municipal solid waste at \$2 per year for residential customers and 12¢ per noncompacted cubic yard for nonresidential customers.  
1994 — Rate for nonresidential customers increased from 12¢ to 60¢ per noncompacted cubic yard.  
— Extended to infectious, pathological, and industrial waste and construction debris.  
1997 — Solid waste generator assessments repealed along with the sales tax on mixed municipal solid waste and replaced by the solid waste management tax, effective 1/1/98.

## LOCAL TAXES

### PROPERTY TAXES AND TAXES IN LIEU OF PROPERTY TAXES

#### GENERAL PROPERTY TAX Minnesota Statutes, Section 272.01

**Tax Base:** Net tax capacity or referendum market value of real and personal property.

**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).

#### Major Exemptions:

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

#### Computation for tax based on net tax capacity:

Market value — determined by county assessor, except for state-assessed property.  
times: class rate(s) — 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, in the following order:  
— disaster credit  
— power line credit  
— agricultural preserves credit  
— enterprise zone credit  
— disparity reduction credit  
— conservation tax credit  
— education homestead credit\*  
— taconite homestead credit  
— supplemental homestead credit  
equals: net tax

\*For taxes payable in 1999, the education homestead credit is equal to 66.2% of the general education levy, with a maximum credit per homestead of \$320.

### Class Rates for Major Classes of Property Tax Taxes Payable in 1999

| <u>Class and Type of Property</u>   | <u>Net Class Rate</u> |
|---|-----------------------|
| <b>1a Residential homestead</b>   |                       |
| First \$75,000 market value (MV)  | 1.0%                  |
| Over \$75,000 MV  | 1.7%                  |
| <b>1b Homestead of blind or disabled</b>  | 0.45%                 |
| First \$32,000 MV   |                       |
| Excess is Class 1a or 2a  |                       |
| <b>1c Small homestead resorts</b>   | 1.0%                  |
| <b>1d Seasonal farm worker housing-</b> same as Class 1a  |                       |
| <b>2a Agricultural homestead</b>  |                       |
| House, garage, and one acre - same as Class 1a  |                       |
| Remaining land and buildings  |                       |
| First \$115,000 MV  | 0.35%                 |
| Over \$115,000 MV   |                       |
| First 320 acres   | 0.8%                  |
| Over 320 acres  | 1.25%                 |
| <b>2b Nonhomestead agricultural land; timberland</b>  | 1.25%                 |
| <b>3a Commercial, industrial, and utility property</b>  |                       |
| First \$150,000 MV  | 2.45%                 |
| Over \$150,000 MV   | 3.5%                  |
| <b>3b Employment property (enterprise competitive zones)</b>  |                       |
| First \$50,000 MV   | 2.3%                  |
| Over \$50,000 MV  | 3.5%                  |
| <b>4a Apartments, 4 or more units; private hospitals</b>  |                       |
| In qualifying smaller cities outside the metro area   | 2.15%                 |
| All other   | 2.5%                  |
| <b>4b Residential and farm nonhomestead, 2-3 units</b>  | 1.7%                  |
| <b>4bb Nonhomestead residential or farm, 1 unit</b>   |                       |
| First \$75,000 MV   | 1.25%                 |
| Over \$75,000 MV  | 1.7%                  |
| <b>4c Certain low-income rental housing</b>   | 2.4%                  |
| Commercial seasonal recreational residential  | 1.8%                  |
| Fraternity and sorority housing   | 1.25%                 |
| Manufactured home parks   | 2.0%                  |
| Noncommercial seasonal recreational residential   |                       |
| First \$75,000 MV   | 1.25%                 |
| Over \$75,000 MV  | 2.2%                  |
| <b>4d Qualifying low-income rental housing</b>  | 1.0%                  |
| Other low-income rental housing   | 2.2%                  |
| <b>4e Residential portion of certain converted warehouses</b>   | 2.3%                  |
| <b>5 Tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system.</b> | 3.5%                  |
| Unmined iron ore and low-grade iron ore   |                       |
| All other property  |                       |

**Property Tax Refund:** Homeowners and renters may receive property tax relief based on the relationship of homestead property tax or 19% of rent paid and total household income. The 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 of \$490 for homeowners and \$1,140 for renters. 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 \$68,510 for homeowners and under \$39,960 for renters. The income thresholds and maximum refund amounts are indexed for inflation.

Another refund (called the special refund or targeting) is available to homeowners whose net property tax increases by more than 12% from the previous year, with a maximum refund of \$1,000. Both the property tax refund and the special refund are paid directly to the claimants by the state.

### Revenue

Collections (millions):

| Year | Gross<br>Pay-<br>able<br>Taxes<br>Levied* | Credits | Prop.<br>Tax<br>Refund** | Taxes<br>Paid |
|------|---|---------|--------------------------|---------------|
| 1997 | \$4,732.1                                 | \$18.3  | \$173.7                  | \$4,540.1     |
| 1998 | \$4,802.7                                 | \$177.8 | \$182.8                  | \$4,442.1     |

\* After homestead and agricultural credit aid and disparity reduction 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 each levies.

### Administration

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

Who Pays: 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 — Classification system enacted, with four classes of property
- 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. — Additional classes of property defined.
- 1945 — Airflight property tax enacted.
- 1961 — Indian lands exempt from taxation.
- 1967 — Homestead credit enacted at 35% of gross tax with a maximum credit of \$250. — Senior citizen property tax credit enacted. — State government property tax levy eliminated. — Livestock and agricultural machinery exempted. — Manufacturers given option to exempt either tools and machinery or inventories. — Adoption of county assessor system. — Adoption of Minnesota Agricultural Property Tax Law (known as "green acres"). — Farm homestead increased from 40 to 80 acres.
- 1969 — Taconite homestead credit enacted. — Minnesota Open Space Property Tax law enacted.
- 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 made entirely exempt.
- 1973 — Senior citizen property tax freeze credit enacted. — Increase in market value for residential property limited to 5% per year. — Manufacturing and business machinery considered as real property (attached machinery) exempted.
- 1974 — Homestead credit increased to 45% of gross tax with a maximum credit of \$325. — Farm homestead increased from 80 to 120 acres.
- 1975 — Limited market value for residential property replaced with general limits on valuation increases. — Property tax refund enacted. — Flexible homestead base established. — Agricultural mill rate differential increased.
- 1976 — Agricultural mill rate differential eliminated and replaced with a credit at a higher rate.
- 1977 — Farm homestead increased from 120 to 160 acres. — Classification ratios for homesteads reduced. — Relief under property tax refund increased; senior citizen property tax freeze credit repealed.

- 1979 — Eliminated limited market value. Enacted two-stage shift to estimated market value.
- Homestead credit increased to 50% of gross tax with a maximum credit of \$550.
  - Classification ratios for homestead and certain other property reduced.
  - Farm homestead increased from 160 to 240 acres.
  - Agricultural mill rate credit increased.
  - Enacted power line credit (effective in 1982).
  - Wetlands exemption and credit enacted.
  - Gross earning tax on railroads replaced with the general property tax.
- 1980 — Classification ratios lowered for homestead and certain other property.
- Homestead credit increased to 58% of gross tax with a maximum credit of \$650.
  - Native prairie exemption and credit enacted.
  - Targeting credit for homesteads enacted.
- 1981 — Classification ratios for commercial-industrial property and certain apartment buildings reduced.
- Agricultural mill rate credit made more progressive.
- 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.
  - Classification ratio on commercial/industrial property reduced.
  - Additional classification ratios for enterprise zone property created and state paid credit for enterprise zone business enacted.
  - Enacted a new property tax refund formula with new maximums.
  - Removed 240-acre limit for farm homesteads.
- 1984 — Classification ratio for commercial/industrial property reduced.
- Agricultural credit increased.
  - Targeting credit enacted for taxes payable in 1985.
- 1985 — Maximum homestead credit increased to \$700.
- Agricultural credit increased, maximum repealed.
- 1987 — Small business property tax transition credit enacted for 1988 only.
- Homestead classification ratios reduced.
- 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 replacement aid.
  - Restructured the classification system, reducing the number of classes and increasing the ratios.
  - Repealed the native prairie and wetlands credits.
  - Exempted electric power distribution lines used to supply electricity at retail to farmers.
- 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.
  - Classification ratios and mill rates replaced by tax capacity rates applied to market value.
  - “Truth in Taxation” system enacted (pay 1990).
- 1989 — Beginning with pay 1990, the homestead and agricultural credits replaced by new state aids, including school equalization aid and homestead and agricultural credit aid (HACA).
- New class rates for 1990 and subsequent years.
  - Levy limits to be repealed by 1993.
  - Noncommercial seasonal recreational property eligible for targeting refund for 1990 only.
- 1990 — Class rates changed for several types of property.
- 1991 — Class rates and brackets changed for homestead property. Class rates changed for commercial/industrial, residential rental, and seasonal residential property.
- Separate vacant land class eliminated (pay 1993).
- 1992 — Homestead treatment extended to dwelling occupied by relative of the owner.
- Calculation of targeting refund modified and limited to a maximum of \$1,500.
- 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 five years.
  - Class rates reduced for certain agricultural property.
  - Non-school referendum levies applied to taxable market value.
- 1994 — Restrictions added to exclusion of improvements for older homes, including market value limit of \$150,000 (\$300,000 in some areas).
- For the property tax refund, increased the income thresholds and maximum refund amounts; indexed both. Increased percent paid by the state.
  - For targeting, reduced the percent paid by the state from 75% to 60% and the maximum refund from \$1,500 to \$1,000.

- 1995 — Class rates reduced for: cabins (pay 1997); apartments in qualifying smaller cities outside the metropolitan area; and certain new commercial/ industrial property within transit zones.
- New operating school district referendum levies based on referendum market value.
- 1996 — Class rates reduced for cabins.
- Electric power generation facilities eligible for partial market value exclusion based on efficiency.
  - Income qualifications changed for Class 1b.
  - Fiscal disparities enacted for taconite tax relief area.
- 1997 — Class rates reduced for most types of property, including homesteads (2nd tier), commercial/ industrial, apartments, cabins (1st tier), and Class 5.
- Brackets changed for homesteads and commercial/ industrial property.
  - New classifications created for seasonal farm worker housing and residential nonhomestead single unit property.
  - Education homestead credit enacted equal to 32% of the property's general education levy, with a maximum credit of \$225 per homestead.
  - Levy limitations enacted for counties and for cities over 2,500 population for pay 1998 and 1999 only.
  - One-year rebate enacted as a refundable income tax credit for homeowners and renters equal to 20% of property taxes paid in 1997.
  - Property tax deferral program enacted for qualifying senior citizens, beginning pay 1999.
  - Limited market value program extended to 2001.
  - Income tax credit for increases in cabin property taxes, for pay 1998 and 1999 only.
  - For property tax refund and rebate, rent constituting property taxes changed to equal 18% of gross rent.
  - All new referendum levied applied to referendum market value.
- 1998 — Class rates reduced for most types of property.
- Education homestead credit percentage increased and maximum increased to \$320 for 1999 and \$335 thereafter.
  - One-year rebate enacted as a refundable income tax credit for homeowners and renters equal to 20% of property taxes paid in 1998, with a maximum rebate of \$1,500.
  - For property tax refund and rebate, rent constituting property taxes increased from 18% to 19% of gross rent.

## TREE GROWTH TAX

Minnesota Statutes, Section 270.36

**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 which 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 the property tax. The owner must apply to, and receive approval from, the county to have qualifying forest lands come under this tax.

### Revenue

| Collections: | Year Payable |             |
|--------------|--------------|-------------|
|              | 1997         | \$1,487,000 |
|              | 1998         | \$1,481,000 |

Disposition: Same as the property tax.

### Administration

Agencies: County auditor, county board.

Who Pays: Those who apply for and 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.

**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 the property tax. The land was made an auxiliary forest upon county board approval. When the auxiliary forest 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 |         |
|              | 1997         | \$3,000 |
|              | 1998         | \$3,000 |

Disposition: Same as the property tax

**Administration**

Agencies: County auditor, county board.

Who Pays: Those who received county board approval on or before June 30, 1974.

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

**History of Major Changes**

- 1926 — Enabling constitutional amendment adopted.
- 1927 — Tax imposed on any tract of forestable land less than 160 acres; woodlots between 20 and 40 acres. Land tax: 8¢ per \$1 assessed value. Yield tax: 10% of marketable timber value.
- 1929 — Land tax changed to 5¢ per acre.
- 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%.
- 1957 — Land tax rate changed to 10¢ per acre.
- 1974 — Prohibited contracts from being issued or extended, effective after June 30, 1974.

**CONTAMINATION TAX**  
Minnesota Statutes, Section 270.91

**Tax Base:** Contamination value of taxable real property, which is the amount of any market value reduction granted for the property tax due to the presence of contaminants.

| <b>Rates:</b>   | % of<br><u>Class Rate*</u> |
|---|----------------------------|
| General rate  | 100.0%                     |
| Owner has in place an approved abatement or management plan, as specified   | 50.0%                      |
| Neither the owner nor the operator is the party responsible for the contaminants                                      | 25.0%                      |
| Neither the owner nor the operator is the responsible party and an approved abatement or management plan is in place. | 12.5%                      |

\* Class rate for that property under the property tax.

**Major Exemptions:** Value of contaminants for which the requirements of a response action plan have been satisfied; value of asbestos under certain conditions.

**Revenue**

|              |              |           |
|--------------|--------------|-----------|
| Collections: | Year Payable |           |
|              | 1997         | \$542,000 |
|              | 1998         | \$484,000 |

Disposition:

|  |     |
|--|-----|
| Tax on property that has a response plan   |     |
| Contaminated Site and Development Account, |     |
| State General Fund                         | 95% |
| County (for administrative costs)          | 5%  |

Tax on property without a response plan—distributed to local jurisdictions in the same manner as the property tax.

**Administration**

Agencies: County assessor, auditor, and treasurer

Who Pays: Owners of contaminated property.

Payment Dates: Same as the general property tax.

**History of Major Changes**

- 1993 — Enacted, beginning with taxes payable in 1995.
- 1994 — Exempted asbestos-contaminated property that is managed under a qualifying program.

## MINING PRODUCTION TAXES

Minnesota Statutes, Section 298.24

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

### Rates:

Taconite and Iron Sulfides - \$2.141 per ton applicable to the average production of the current year and the previous two years. The rate is indexed annually by the implicit price deflator.

Direct Reduced Iron – an additional tax is imposed equal to 3¢ per gross ton of concentrate for each 1% that the iron contents exceeds 72% when dried at 212° F.

Direct Reduced Iron – for the first two years of a plant's production, no tax is imposed. Thereafter, the tax rate is a percentage of the regular tax rate: 25% in the third year, 50% in the fourth year, 75% in the fifth year, and 100% in the sixth year.

**Special Provision:** Additional tax of 10¢ per ton of taconite tailings not deposited on land in accordance with specified permits. Due to compliance with permits, tax is not imposed.

### Revenue

| Collections: | Year Payable |              |
|--------------|--------------|--------------|
|              | 1997         | \$90,513,000 |
|              | 1998         | \$94,705,000 |

Disposition: The tax is distributed based on requirements and formulas specified in state statute. The distribution of the net tax made in 1998 for the 1997 production year is summarized on the next page. (Source: *Minnesota Mining Tax Guide*, Minnesota Department of Revenue, Minerals Tax Office. September 1998)

| <u>Aid recipients</u>                           | <u>Cents per Taxable Ton</u> |
|---|------------------------------|
| Taconite Cities and Towns                       | 4.7¢                         |
| Taconite Municipal Aid                          | 15.6                         |
| School Districts                                | 39.5                         |
| Counties  | 22.5                         |
| County Road and Bridge                          | 6.0                          |
| Taconite Property Tax Relief                    | 30.4                         |
| Iron Range Resources & Rehabilitation Board     | 9.6                          |
| Range Association of Municipalities & Schools   | .2                           |
| Taconite Railroad Grandfather Amount            | 7.1                          |
| Taconite Environmental Protection Fund          | 29.0                         |
| N.E. Minnesota Economic Protection Fund         | 11.9                         |
| Taconite Economic Development Fund              | 16.7                         |
| School Bond Credits and Payments                | 9.4                          |
| State of Minnesota                              | .2                           |
| Other Administrative/Economic Development Funds | 9.7                          |
|   | 212.5¢ = \$2.125             |

### Administration

#### Agencies:

Minnesota Department of Revenue, Minerals Tax Office 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 land and structures used to mine, quarry, or produce taconite.

Payment Dates: February 24 of the following year.

### 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 — Tax on taconite increased to 11.5¢ per ton.
- 1971 — Additional 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 indexed based on the price of steel.



- 1984 — Index frozen for two years and converts to implicit price deflator for production year 1987.  
— Water filtration plant credit enacted.
- 1985 — Taconite production tax paid to the counties and the IRRRB.
- 1986 — Rate reduced from \$2.048 to \$1.90 per ton.  
Indexing of rate suspended under certain conditions.
- 1987 — Rate set at \$1.90 per ton for 1987 and 1988, indexed thereafter.  
— Production tax on copper-nickel repealed.
- 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.
- 1994 — Rate kept at \$2.054 for 1994 production year.  
— Lower rate enacted for direct reduced ore.
- 1995 — Rate kept at \$2.054 for the 1995 production year.
- 1996 — Increase in rate due to indexing limited to 4¢ per ton for 1996.
- 1997 — For direct reduced iron, additional tax of 3¢ per ton imposed for each 1% that the iron content exceeds 72%.  
— Rates applicable to direct reduced iron changed.
- 1998 — Rate kept at \$2.141 for 1998 production year.

#### Comparison With Other States — 1998

|              | Resource                  | Rate   |
|--------------|---------------------------|--|
| California   | Crude oil and natural gas | A charge of about 3.5¢ per barrel of oil or ten thousand cubic feet of net gas produced. |
| MINNESOTA    | Taconite                  | \$2.141 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 tax of 40¢ per acre times the fractional interest owned. Minimum tax of \$3.20 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

| Collections: | Year Payable |           |
|--------------|--------------|-----------|
|              | 1997         | \$714,000 |
|              | 1998         | \$647,000 |

**Disposition:** 80% of the proceeds are distributed in the same manner as the property tax. The remaining 20% is deposited in the Indian Business Loan Account of the Special Revenue Fund.

#### 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.

1994 — Tax rate increased from 25¢ to 40¢ per acre; minimum tax increased from \$2 to \$3.20, beginning with taxes payable in 1995.

**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 class rate (4% for taxes payable in 1998 and 3.5% for 1999) times the local property tax rate. Maximum tax of \$15 per acre.

**Revenue**

|              |              |           |
|--------------|--------------|-----------|
| Collections: | Year Payable |           |
|              | 1997         | \$456,000 |
|              | 1998         | \$445,000 |

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.
- 1994 — Maximum tax increased from \$10 to \$15 per acre, beginning with taxes payable in 1995.

**LOCAL SALES TAXES**

Minnesota law enacted in 1971 prohibits the imposition of any local sales or income tax without specific legislative authorization. The following table shows local sales taxes authorized by special legislation and imposed by the local government. It does not include: taxes that were authorized but not imposed; taxes that have expired; or taxes that were repealed. The total local sales tax on some transactions involves combining two or more tax rates from the table.

|  | <u>Rate</u> | <u>Year Enacted</u> | <u>Last Changed</u> |
|--|-------------|---------------------|---------------------|
| <b>General Sales Tax</b>                       |             |                     |                     |
| Cook County                                    | 1.0%        | 1993                | 1997                |
| Duluth   | 1.0%        | 1973                | 1980                |
| Hermantown                                     | 1.0%        | 1996                |                     |
| Mankato  | 0.5%        | 1991                | 1998                |
| Minneapolis                                    | 0.5%        | 1986                |                     |
| Rochester                                      | 0.5%        | 1983                | 1998                |
| St. Paul                                       | 0.5%        | 1993                | 1998                |
| Two Harbors                                    | 0.5%        | 1998                |                     |
| Willmar  | 0.5%        | 1997                |                     |
| Winona   | 0.5%        | 1998                |                     |
| <b>Lodging *</b>                               |             |                     |                     |
| Bloomington                                    | 6.0%        | 1970                | 1990                |
| Cook County towns Lutsen, Schroeder, and Tofte | 2.0%        | 1987                |                     |
| Duluth   |             |                     |                     |
| More than 30 Rooms                             | 5.5%        | 1970                | 1998                |
| Other  | 3.0%        | 1970                | 1980                |
| Minneapolis                                    |             |                     |                     |
| More than 50 Rooms                             | 5.0%        | 1986                |                     |
| Other  | 3.0%        | 1969                |                     |
| Rochester                                      | 3.0%        | 1971                |                     |
| St. Cloud                                      | 5.0%        | 1979                | 1986                |
| St. Paul                                       |             |                     |                     |
| More than 50 Rooms                             | 6.0%        | 1986                | 1991                |
| Other  | 3.0%        | 1970                | 1982                |
| Two Harbors                                    | 1.0%        | 1994                |                     |
| Winona   | 1.0%        | 1991                | 1995                |

\* In addition to the lodging taxes shown here, Minnesota Statutes, Section 469.190, provides cities and towns with the option to impose a lodging tax of up to 3%. Proceeds must be used for tourism promotion. More than fifty cities and towns impose this tax.

|   | <u>Rate</u>  | <u>Year Enacted</u> | <u>Last Changed</u> |
|---|--------------|---------------------|---------------------|
| <b>Restaurant Food and Beverages</b>                |              |                     |                     |
| Duluth  | 1.5%         | 1977                | 1998                |
| Little Falls  | 0.5%         | 1996                |                     |
| Minneapolis - Downtown                              | 3.0%         | 1986                |                     |
| St. Cloud   | 1.0%         | 1986                |                     |
| <b>Liquor &amp; Beer (On Sale)</b>                  |              |                     |                     |
| Bloomington   | 5.0%         | 1986                |                     |
| Minneapolis - Downtown                              | 3.0%         | 1986                |                     |
| St. Cloud   | 1.0%         | 1986                |                     |
| <b>Admissions</b>                                   |              |                     |                     |
| Bloomington   |              |                     |                     |
| Spectator Events                                    | 3.0%         | 1970                |                     |
| Minneapolis   | 3.0%         | 1969                |                     |
| <b>Amusements</b>                                   |              |                     |                     |
| Minneapolis   | 3.0%         | 1969                |                     |
| <b>Motor Vehicle Retail Sales - Tax Per Vehicle</b> |              |                     |                     |
| Mankato   | \$20         | 1991                |                     |
| Rochester   | \$20         | 1983                | 1992                |
| Two Harbors   | \$20         | 1998                |                     |
| Willmar   | \$20         | 1997                |                     |
| Winona  | \$20         | 1998                |                     |
| <b>Revenue</b>                                      |              |                     |                     |
| Collections:*                                       | C.Y. 1996    |                     | C.Y. 1997           |
| Bloomington   | \$10,122,000 |                     | \$10,102,000        |
| Duluth  | 11,272,000   |                     | 11,669,000          |
| Little Falls  | 20,000       |                     | 48,000              |
| Mankato   | 2,363,000    |                     | 2,508,000           |
| Minneapolis   | 36,955,000   |                     | 38,774,000          |
| Rochester   | 6,970,000    |                     | 7,957,000           |
| St. Cloud   | 1,474,000    |                     | 1,759,000           |
| St. Paul  | 11,722,000   |                     | 12,289,000          |
| Two Harbors   | 27,000       |                     | 39,000              |
| Winona  | 177,000      |                     | 200,000             |
| Cook County   | 980,000      |                     | 1,026,000           |

\* Reflect collections only from taxes imposed upon special authorization.

## LOCAL GROSS EARNINGS TAXES

Minnesota Statutes, Section 451.07

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

**Rates:** Varies by city

### Revenue

Collections: Gas and electric utility companies\*

|             | C.Y. 1996   | C.Y. 1997   |
|-------------|-------------|-------------|
| Albert Lea  | \$1,021,000 | \$1,093,000 |
| Anoka       | 785,000     | 834,000     |
| Coon Rapids | 1,519,000   | 1,608,000   |
| Duluth      | 937,000     | 937,000     |
| Minneapolis | 18,046,000  | 18,709,000  |
| St. Cloud   | 1,418,000   | 1,383,000   |
| St. Paul    | 14,724,000  | 15,059,000  |
| Winona      | 670,000     | 647,000     |

\*Cities shown are those with annual receipts over \$500,000.

Disposition: Local revenue funds.

### Administration

Agency: Local units of government.

Who Pays: Utility companies.

Payment Dates: Established locally.

## AGGREGATE MATERIAL TAX

Minnesota Statutes, Section 298.75

**Tax Base:** Aggregate material removed from gravel pits or deposits in specified counties. Aggregate material means nonmetallic natural mineral aggregate and includes sand, silica sand, gravel, building stone, crushed rock, limestone, and granite. Dimension stone and dimension granite are not included.

**Rates:** 10¢ per cubic yard or 7¢ per ton.

### Revenue

Collections:

| <u>County</u> | <u>C.Y. 1996</u> | <u>C.Y. 1997</u> |
|---------------|------------------|------------------|
| Becker        | \$ 65,000        | \$ 94,000        |
| Benton        | 0                | 0                |
| Big Stone     | 56,000           | 81,000           |
| Carver        | 48,000           | 63,000           |
| Clay          | 154,000          | 183,000          |
| Dakota        | 496,000          | 575,000          |
| Hennepin      | 326,000          | 357,000          |
| Kittson       | 28,000           | 34,000           |
| LeSueur       | 153,000          | 180,000          |
| Mahnomen      | 27,000           | 3,000            |
| Marshall      | 17,000           | 2,000            |
| Norman        | 3,000            | 13,000           |
| Pennington    | 13,000           | 14,000           |
| Polk          | 8,000            | 3,000            |
| Ramsey        | 38,000           | 42,000           |
| Red Lake      | 27,000           | 35,000           |
| Scott         | 301,000          | 285,000          |
| Sherburne     | 165,000          | 186,000          |
| Sibley        | 30,000           | 37,000           |
| Stearns       | 64,000           | 60,000           |
| Washington    | 302,000          | 390,000          |
| Wilkin        | <u>11,000</u>    | <u>19,000</u>    |
|               | \$2,331,000      | \$2,659,000      |

Disposition:

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

### Administration

Agency: County (township in one case)

Who Pays: Those removing aggregate material from pits or deposits in the specified 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.
- 1982 — Uniform rate and other provisions enacted; tax extended to all aggregate materials.
- 1983 — Extended tax to importers as well as operators. Specified 26 counties subject to tax.
- 1984 — Exempted certain counties.
- 1996 — Authority to impose the tax extended to Chisago, Murray, and Rock counties. (None of the counties chose to impose the tax.)
- 1997 — Authority to impose the tax extended to Carlton, Pope, and St. Louis counties. (Pope County imposed the tax effective 4/1/98; Carlton and St. Louis counties chose not to impose it.)
  - Authorized specified townships in St. Louis County to impose the tax if county chose not to impose it. (Solway Township voted to impose the tax, effective date to be determined.)

**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 or energy and resource recovery facilities at which solid waste is processed to extract, reduce, convert to energy, or otherwise separate and prepare it for reuse if at least 85% (by weight) 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.

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.

1995 — Exemption based on 85% of weight rather than volume.

**MINNESOTA STATE TAX COLLECTIONS  
NET AFTER REFUNDS**

|                         | <u>Fiscal Year 1998</u>     |                          |                   |
|-------------------------|-----------------------------|--------------------------|-------------------|
|                         | <u>F.Y. 1997</u><br>(000's) | <u>Amount</u><br>(000's) | <u>% of Total</u> |
| Individual Income       | \$4,784,801                 | \$4,749,533              | 42.15%            |
| Income Tax Reciprocity  | 31,887                      | 37,872                   | 0.34              |
| Corporate Franchise     | 680,898                     | 752,061                  | 6.67              |
| Estate                  | 48,944                      | 61,612                   | 0.55              |
| General Sales & Use     | 3,018,193                   | 3,255,981                | 28.90             |
| Motor Vehicle Rental    | 8,907                       | 9,900                    | 0.09              |
| Motor Vehicle Sales Tax | 393,710                     | 443,471                  | 3.94              |
| Motor Fuels Excise      | 536,081                     | 551,445                  | 4.89              |
| Alcoholic Beverage      | 56,399                      | 57,410                   | 0.51              |
| Cigarette               | 180,571                     | 180,342                  | 1.60              |
| Tobacco Products        | 13,278                      | 13,798                   | 0.12              |
| Controlled Substances   | 112                         | 106                      | *                 |
| Mortgage Registry       | 48,515                      | 67,641                   | 0.60              |
| Deed Transfer           | 46,246                      | 52,566                   | 0.47              |
| Lawful Gambling Taxes   | 62,322                      | 62,206                   | 0.55              |
| Pari-mutuel             | 854                         | 794                      | 0.01              |
| Sports Bookmaking       | 3                           | 5                        | *                 |
| Insurance Premiums      | 176,492                     | 151,542                  | 1.34              |
| Health Care Surcharge   | 124,818                     | 121,143                  | 1.08              |
| MinnesotaCare Taxes     | 149,609                     | 138,126                  | 1.23              |
| Mining Occupation       | 2,748                       | 1,295                    | 0.01              |
| Motor Vehicle Reg.      | 476,222                     | 510,956                  | 4.53              |
| Airflight Property      | 8,872                       | 8,780                    | 0.08              |
| Aircraft Registration   | 3,307                       | 3,363                    | 0.03              |
| Rural Electric Co-ops   | 46                          | 43                       | *                 |
| Hazardous Waste         | 1,569                       | 1,698                    | 0.02              |
| Metropolitan Landfill   | 2,154                       | 2,347                    | 0.02              |
| Solid Waste Assessments | 21,390                      | 15,237                   | 0.14              |
| Solid Waste Mgt. Taxes  | —                           | 16,454                   | 0.15              |
| <b>Total</b>            | <b>\$10,878,948</b>         | <b>\$11,267,727</b>      | <b>100.00%</b>    |

\* Less than .005%

## MINNESOTA LOCAL TAX COLLECTIONS

### Year Payable

|   | <u>1997</u><br>(000's) | <u>1998</u><br>(000's) |
|---|------------------------|------------------------|
| General Property Tax —<br>net after credits | \$4,540,100            | \$4,442,100            |
| Tree growth tax                             | 1,487                  | 1,481                  |
| Auxiliary forest tax                        | 3                      | 3                      |
| Contamination tax                           | 542                    | 484                    |
| Taconite production tax                     | 90,513                 | 94,705                 |
| Severed mineral interests tax               | 714                    | 647                    |
| Unmined taconite tax                        | 456                    | 445                    |

### Calendar Year Collections

|                                       | <u>1996</u><br>(000's) | <u>1997</u><br>(000's) |
|---------------------------------------|------------------------|------------------------|
| Local Sales Taxes*                    |                        |                        |
| Bloomington                           | \$10,122               | \$10,102               |
| Duluth                                | 11,272                 | 11,669                 |
| Little Falls                          | 20                     | 48                     |
| Mankato                               | 2,363                  | 2,508                  |
| Minneapolis                           | 36,955                 | 38,774                 |
| Rochester                             | 6,970                  | 7,957                  |
| St. Cloud                             | 1,474                  | 1,759                  |
| St. Paul                              | 11,722                 | 12,289                 |
| Two Harbors                           | 27                     | 39                     |
| Winona                                | 177                    | 200                    |
| Cook County                           | 980                    | 1,026                  |
| Gross Earnings on Utility Companies** |                        |                        |
| Albert Lea                            | \$1,021                | \$1,093                |
| Anoka                                 | 785                    | 834                    |
| Coon Rapids                           | 1,519                  | 1,608                  |
| Duluth                                | 937                    | 937                    |
| Minneapolis                           | 18,046                 | 18,709                 |
| St. Cloud                             | 1,418                  | 1,383                  |
| St. Paul                              | 14,724                 | 15,059                 |
| Winona                                | 670                    | 647                    |
| Aggregate materials tax               | \$2,331                | \$2,659                |

\* Collections reflect only taxes imposed upon special authorization.

\*\* Cities shown are those with annual receipts over \$500,000.

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## **Addendum to the 1998 Edition of the Minnesota Tax Handbook**

This supplement to the 1998 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in the 1999 legislative session. The law changes are listed by tax, with page references to the 1998 Edition.

The rates for the major state taxes are listed on page 4 and the property tax class rates are on page 5. State tax collections for fiscal year 1999 are on page 6.

Minnesota Department of Revenue  
Tax Research Division

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### **History of Major Changes**

#### **Individual Income Tax, Page 6**

- 1999 – Rates reduced from 6%, 8%, and 8.5% to 5.5%, 7.25%, and 8%.
- Alternative minimum tax rate reduced from 7% to 6.5%.
  - Credit enacted for married-joint filers if both spouses have earned income to address the “marriage penalty” in the tax brackets.
  - Working family credit increased for taxpayers with children.
  - Subtraction enacted for nonitemizers equal to 50% of charitable contributions over \$500.
  - Income limit for the education credit increased to \$37,500 and the maximum credit phased out for income from \$33,500 to \$37,500.
  - Allow all remaining subtractions to be taken in tax year 2000 which are due to additions made in the early 1980s for IRAs, Keogh plans, public pension plans, and ACRS.
  - Conform to federal S corporation treatment for shareholders of electing banks. Corporate level tax retained, but shareholders allowed credit equal to 80% of the corporate tax.



**Corporation Franchise Tax, Page 12**

- 1999 – Sales factor in the apportionment formula increased from 70% to 75%; property and payroll factors each reduced from 15% to 12.5%, effective 1/1/01.
- Credit for tax paid to another state allowed in certain situations.

**General Sales and Use Tax, Page 20**

- 1999 – One-time sales tax rebate of \$1.3 billion for individuals equal to 71.55% of estimated sales tax paid by size of income for 1997.
- Exempted television commercials and tangible personal property used in the production of television commercials.
  - Exempted items given as prizes in games of skill or chance at events lasting fewer than six days.
  - Exempted nonprofit outpatient surgical centers.

**Lawful Gambling Tax, Page 36**

- 1999 – Rate reduced from 9.5% to 9%.

**Pulltab and Tipboard Tax, Page 37**

- 1999 – Rate reduced from 1.9% to 1.8%.

**Combined Receipts Tax, Page 38**

- 1999 – Rates reduced from 1.9%, 3.8% and 5.7% to 1.8%, 3.6% and 5.4%.

**MinnesotaCare Taxes, Pages 46-48**

- 1999 – Rate set at 1.5% for 2000 and 2001; 2% thereafter.
- Exempted K-12 schools, services to nursing homes, and exams for insurance, litigation, and employment.

**Aircraft Registration Tax, Page 57**

- 1999 – Tax on agricultural aircraft limited to \$500.

**General Property Tax, Page 68**

- 1999 – Class rates reduced for most types of property, including homesteads (2<sup>nd</sup> tier), commercial and industrial, apartments, and cabins.
- Brackets changed for homesteads, one-unit nonhomestead property, and cabins.
  - Bracket change for agricultural homestead land over \$115,000 market value set at \$600,000 market value rather than 320 acres.

- Education homestead credit percentage increased and maximum credit per homestead increased to \$390.
- Education agricultural credit enacted equal to 54% of the general education levy for agricultural homestead land and 50% for agricultural nonhomestead land and timberland.
- Limited market value calculation modified to further restrict annual market value increases

**Mining Production Taxes, Page 74**

- 1999 – Rate kept at \$2.141 for the 1999 production year.

**Local Sales Taxes, Pages 77-78**

- 1999 – New Ulm authorized to impose a general sales and use tax of up to 0.5% and an excise tax of up to \$20 per motor vehicle sold at retail.
- Proctor authorized to impose a general sales and use tax of up to 0.5% and an excise tax of up to \$20 per motor vehicle sold at retail.

**Rates of Major State Taxes  
As of December 31, 1999****Individual Income Tax: Tax Year 1999****Rates and Taxable Income Brackets**

|                | 5.5% up to | 7.25%                | 8% over   |
|----------------|------------|----------------------|-----------|
| Married Joint  | \$25,220   | \$25,221 - \$100,200 | \$100,200 |
| Married Sep.   | \$12,610   | \$12,611 - \$50,100  | \$50,100  |
| Single         | \$17,250   | \$17,251 - \$56,680  | \$56,680  |
| Head of Hshld. | \$21,240   | \$21,241 - \$85,350  | \$85,350  |

**Corporation Franchise Tax:** 9.8%

**General Sales and Use Tax:**

|                                       |      |
|---------------------------------------|------|
| General rate                          | 6.5% |
| Liquor and beer, on-sale and off-sale | 9.0% |

**Motor Vehicle Sales Tax:** 6.5%

**Motor Fuels Excise Taxes**

|  |                      |
|--|----------------------|
| Highway fuels:                         | 20¢ per gallon       |
| Aviation fuels:                        | 0.5¢ - 5¢ per gallon |
| Other rates apply to LPG, LNG, and CNG |                      |

**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

**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.

Property Tax Class Rates for Taxes Payable in 2000

Minnesota State Tax Collections Fiscal Year 1999  
All Funds - Net After Refunds

| Class and Type of Property                                 | Net Class Rate | FY 1999 Collections     |                              |
|--|----------------|-------------------------|------------------------------|
|  |                | Amount<br>(000's)       | % of<br>Total                |
| <b>1a Residential homestead</b>                            |                |                         |                              |
| First \$76,000 market value (MV)                           | 1.0%           |                         |                              |
| Over \$76,000 MV   | 1.65%          |                         |                              |
| <b>1b Homestead of blind or disabled</b>                   |                | Individual Income       | \$5,305,177 43.60%           |
| First \$32,000 MV  | 0.45%          | Income Tax Reciprocity  | 39,367 0.32                  |
| Excess is Class 1a or 2a                                   |                | Corporation Franchise   | 777,492 6.39                 |
| <b>1c Small homestead resorts</b>                          | 1.0%           | Estate                  | 58,132 0.48                  |
| <b>1d Seasonal farm worker housing - same as Class 1a</b>  |                |                         |                              |
| <b>2a Agricultural homestead</b>                           |                | General Sales & Use     | 3,407,603 <sup>a</sup> 28.00 |
| House, garage, and one acre - same as Class 1a             |                | Motor Vehicle Rental    | 11,075 0.09                  |
| Remaining land and buildings                               |                | Motor Vehicle Sales Tax | 478,088 3.93                 |
| First \$115,000 MV   | 0.35%          | Motor Fuels Excise      | 580,023 4.77                 |
| \$115,000 - \$600,000 MV                                   | 0.8%           | Alcoholic Beverage      | 58,818 0.48                  |
| Over \$600,000 MV  | 1.2%           | Cigarette               | 175,117 1.44                 |
| <b>2b Nonhomestead agricultural land; timberland</b>       | 1.2%           | Tobacco Products        | 14,147 0.12                  |
|  |                | Controlled Substances   | 81 <sup>b</sup>              |
| <b>3a Commercial and industrial, utility real property</b> |                |                         |                              |
| First \$150,000 MV   | 2.4%           | Mortgage Registry       | 89,791 0.74                  |
| Over \$150,000 MV  | 3.4%           | Deed Transfer           | 62,945 0.52                  |
| Utility personal property                                  | 3.4%           |                         |                              |
| <b>3b Employment property - same as Class 3a</b>           |                |                         |                              |
|  |                | Lawful Gambling Taxes   | 62,762 0.52                  |
| <b>4a Apartments, 4 or more units; private hospitals</b>   |                | Pari-mutuel             | 878 0.01                     |
| In qualifying smaller cities outside the metro area        | 2.15%          | Sports Bookmaking       | 1 <sup>b</sup>               |
| All other  | 2.4%           |                         |                              |
| <b>4b Residential and farm nonhomestead, 2-3 units</b>     | 1.65%          | Insurance Premiums      | 180,436 1.48                 |
| <b>4bb Nonhomestead residential or farm, 1 unit</b>        |                | Health Care Surcharges  | 120,418 0.99                 |
| First \$76,000 MV  | 1.2%           | MinnesotaCare Taxes     | 127,312 1.05                 |
| Over \$76,000 MV   | 1.65%          |                         |                              |
| <b>4c Commercial seasonal recreational residential.</b>    | 1.65%          | Mining Occupation       | 2,164 0.02                   |
| Fraternity and sorority housing.                           | 1.2%           |                         |                              |
| Manufactured home parks                                    | 1.65%          | Motor Vehicle Reg.      | 548,007 4.50                 |
| Noncommercial seasonal recreational residential            |                | Airflight Property      | 8,661 0.07                   |
| First \$76,000 MV  | 1.2%           | Aircraft Registration   | 3,782 0.03                   |
| Over \$76,000 MV   | 1.65%          | Rural Electric Co-ops   | 44 <sup>b</sup>              |
| <b>4d Qualifying low-income rental housing</b>             | 1.0%           |                         |                              |
| <b>5 Unmined iron ore and low-grade iron ore</b>           | 3.4%           | Hazardous Waste         | 1,268 0.01                   |
| All other property   | 3.4%           | Metropolitan Landfill   | 3,385 0.03                   |
|  |                | Solid Waste Management  | 51,062 0.42                  |
|  |                | <b>Total</b>            | <b>\$12,168,036 100.00%</b>  |

<sup>a</sup>Before reduction for the \$1.3 billion rebate.

<sup>b</sup>Less than .005%