

# Major State Aids and Taxes: A Comparative Analysis

2016 Update



## About this Publication

*A comparative analysis of  
the major state aids and  
taxes in Minnesota.*

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# Contents

Overview .....	1
2016 Aids and Taxes.....	3
Five-Year Trends .....	4
Section 1: Current and Historical Data .....	5
Major State Aids.....	7
Education Aid .....	8
Human Services Aid .....	11
Highway Aid .....	14
Local Government Aid (LGA).....	18
Disparity Reduction Aid (DRA) .....	22
County Program Aid.....	23
Community Corrections Funding .....	26
Homestead Credit Refund - Homeowners.....	30
Property Tax Refund - Renters.....	33
Additional Homestead Credit Refund (Targeting) .....	36
Property Tax Data .....	39
Market Value Agricultural Credit.....	40
Miscellaneous Property Tax Credits .....	42
Property Values, Levies, and Tax Rates .....	44
Major State Taxes .....	48
Individual Income Tax .....	49
Sales/Use Tax .....	52
Motor Vehicle Sales Tax.....	57
Motor Vehicle Registration Tax .....	60
Motor Fuels Tax (Gas Tax).....	63
Corporate Franchise (Income) Tax.....	66
State General Levy .....	70
Section 2: Summary Data.....	73
Statewide Summary.....	75
Metro/Nonmetro Data .....	79

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The 2016 Update has an online complement, which includes summary and interactive tools for regional and county-level data. The online tool replicates maps and graphs that were formerly included in the paper report. Access the online tool at <https://www.house.leg.state.mn.us/hrd/msa.aspx>

**Reader Note:** This publication has been published in various forms for more than 35 years. Previous versions are available on the House Research website.

## Overview

This report presents a comparative analysis of the major state aids and taxes in Minnesota. It is a reference document and is NOT INTENDED to be a complete list of all the aids and credits paid by the state and all the taxes collected by the state. The report contains data on:

- **Major State Aids** including education aid, human services aid, highway aid, local government aid (LGA), disparity reduction aid (DRA), county program aid, community corrections funding, property tax refunds, and targeting refunds.
- **Property Tax Data** including the market value agricultural credit, miscellaneous property tax credits, property tax levies by type of taxing district, and property valuation data.
- **Major State Taxes** including individual income tax, sales/use tax, motor vehicle sales tax, motor vehicle registration tax, motor fuels tax, corporate franchise (income) tax, and state general levy.

This year's version of the report contains a number of structural changes. Some of the content that was previously included in the report has been moved to an interactive online tool. These changes are outlined below. This year's report is divided into two major sections:

**Section 1** discusses the state aids, property tax data, and state taxes and gives the assumptions and caveats for using the report. It contains current and historical data using graphs, and tables in both total dollars and on a per capita basis.

**Section 2** presents STATEWIDE SUMMARY DATA. A table with a general explanation introduces the section. The section contains the summary data for the most recent available year on the statewide totals and compares the metro and the nonmetro economic development regions to each other.

Throughout the report, dollar values are rounded to the nearest whole dollar, unless otherwise noted. Percentage values are rounded to the nearest one-tenth of 1 percent (0.1 percent). As a result, rounded values may not exactly sum to 100 percent.

## **Changes to Report**

A number of changes have been made to this year's version of the report. Summary and regional data formerly found in the report have been moved to an interactive online tool.<sup>1</sup> The interactive tool has the capacity to produce the same tables and maps used in earlier versions of the report, along with additional maps and graphs. The paper version of the report still contains current and historical data for each major state aid/credit and tax, but the maps associated with each have also been moved to the online tool.

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<sup>1</sup> <https://www.house.leg.state.mn.us/hrd/msa.aspx>

## 2016 Aids and Taxes

The total taxes presented in this report **are not the total of all taxes collected by the state.**<sup>2</sup> The total state net tax receipts were about \$23.0 billion in fiscal year 2015 and \$23.6 billion in fiscal year 2016. Furthermore, the taxes presented in this report are not for a specific time period but rather are the latest available data and/or the next data in sequence to the previous report. Therefore, the \$20.1 billion total taxes listed in this report (residents and nonresidents) is about 86 percent of the total taxes actually collected over that period. In terms of revenue generated in fiscal year 2016, the most significant taxes not included in the report are tobacco taxes, gross earnings taxes, other excise taxes, the provider tax, and estate taxes.

### Statewide

The state aids and credits listed in this report total about \$16.8 billion, an increase of 3.0 percent from the previous year. The totals of the seven major taxes listed in this report equal \$18.5 billion paid by residents and an additional \$1.5 billion paid by nonresidents (for a total tax amount of \$20.1 billion), an increase of 3.7 percent from the previous year.

Local property tax levies in the report total about \$8.5 billion, an increase of 5.0 percent from the previous year. Additionally, property tax refunds increased about 3.4 percent, to \$0.6 billion, over the same time period.

### Metro/Nonmetro

The state aids and credits for the seven-county metro area total about \$9.1 billion, an increase of 1.9 percent from the previous year. The major taxes for the metro area equal about \$12.2 billion, an increase of about 4.6 percent from the previous year.

Local property tax levies in the metro area total about \$5.2 billion, an increase of 4.8 percent from the previous year. Property tax refunds paid in the metro area total about \$0.4 billion, an increase of 2.5 percent over the same time period.

The state aids and credits contained in this report for the nonmetro area of the state total about \$7.7 billion, an increase of 4.2 percent from the previous year. The major taxes for the nonmetro area equal about \$6.4 billion, an increase of 2.8 percent from the previous year.

Local property tax levies in the nonmetro area of the state total about \$3.3 billion, an increase of 5.3 percent for the previous year. Property tax refunds paid in the nonmetro area total about \$0.2 billion, an increase of 5.3 percent over the same time period.

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<sup>2</sup> Taxes not contained in the report include estate, mortgage registry and deed, insurance gross premiums, MinnesotaCare, mineral, cigarette and tobacco products, lawful gambling, and alcoholic beverages. The collections from some of these taxes are dedicated for specific purposes, and amounts are not available by county.

**2016 Aids and Taxes**  
(Amounts shown in \$ billions)

	Total Aids and Credits	Total Taxes
<b>Metro</b>	\$9.1	\$12.2
<b>Nonmetro</b>	\$7.7	\$6.4
<b>Statewide Total</b>		
Residents Only	\$16.8	\$18.5
Nonresidents Included	\$16.8	\$20.1

## Five-Year Trends

Amounts shown in the statewide table include taxes paid by residents and nonresidents. The amounts paid each year by out-of-state taxpayers have not been allocated to any county. Thus, the annual amounts in the metro/nonmetro table will not total to the annual amounts in the statewide table.

**Statewide**  
(Amounts shown in \$ billions)

	2012	2013	2014	2015	2016	5 Year Change
Total Aids and Credits	\$13.6	\$14.2	\$15.9	\$16.3	\$16.8	\$3.2 (23.2%)
Total Taxes	\$16.2	\$17.6	\$18.5	\$19.4	\$20.1	\$3.8 (23.7%)

**Metro/Nonmetro**  
(Amounts shown in \$ billions)

	2012	2013	2014	2015	2016	5 Year Change
<b>Metro</b>						
Total Aids and Credits	\$7.3	\$7.7	\$8.7	\$8.9	\$9.1	\$1.8 (24.2%)
Total Taxes	\$9.5	\$10.4	\$11.0	\$11.6	\$12.2	\$2.6 (27.4%)
<b>Nonmetro</b>						
Total Aids and Credits	\$6.3	\$6.5	\$7.1	\$7.4	\$7.7	\$1.4 (14.9%)
Total Taxes	\$5.5	\$5.8	\$6.1	\$6.2	\$6.4	\$0.9 (17.0%)

# Section 1: Current and Historical Data

Section 1 contains the most recent available data for the major state aids, credits, and taxes and describes the programs under the general categories in the tables of this report. The assumptions and caveats for using the report are mentioned in this section. In addition to information from the most recent year, section 1 also contains historical information. The data is for a five-year time period.

Section 1 is divided into three parts:

- Major state aids
- Property tax data
- Major state taxes

Some of the data in this section are county-level, while other tables and graphs are by Economic Development Region<sup>3</sup> or groupings of regions. One table and one graph use northern and southern groupings of the 80 nonmetro counties. The groupings were selected for convenience, rather than for any specific analytical purpose. The northern and southern regions are grouped as follows:

Northern Regions		Southern Regions	
1	Northwest	6E	Six East
2	Headwaters	6W	Upper Minnesota Valley
3	Arrowhead	7W	Central Minnesota
4	West Central	8	Southwest
5	Five	9	Nine
7E	East Central	10	Southeastern Minnesota

The seven metro counties are not included in either the northern or southern regions and are region 11.

The standard format for each aid or tax consists of three or four pages of information. The first one to two pages provide a program description of the aid or tax. Any recent law changes that affect the program and are important in analyzing the data are noted on these pages. Following the program description is a table containing the historical data for the state and its geographic areas. Lastly, there is a statewide graph containing a trend of the data in nominal dollars and in constant dollars, adjusted for inflation using the implicit price deflator for state and local

<sup>3</sup>Department of Employment and Economic Development. Economic Development Regions.  
<https://apps.deed.state.mn.us/assets/lmi/areamap/edr.shtml>

government expenditures. This is the only place where amounts presented are adjusted for inflation.



## Major State Aids

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# Education Aid

## Program Description

Education aid is the total amount of state aid paid to school districts for all K-12 educational purposes. This amount includes state aid for general education, special education, transportation, community education, capital expenditure, secondary vocational, and other miscellaneous programs. About 83 percent of the total aid (including aid to charter schools) is general education aid.

## Aid Amount and Reporting

### 2015/2016 Education Aid: \$8.2 billion

The total education aid for the 2015/2016 school year is \$8,190,070,943. This total includes \$603,139,328 that went to the 157 charter schools that received funding in the 2015/2016 school year. The amounts received by school districts for property tax credits (i.e., agricultural market value credit, taconite homestead credit, disparity reduction credit, etc.) are not included in this amount since they are itemized elsewhere in the report.

Education aid is paid to school districts, many of which operate in more than one county. Education aid paid to school districts that operate in more than one county is apportioned to the various counties based on each county's share of total residential market value in the school district. For example, if one-fifth of the residential market value of a school district is in County A, two-fifths in County B, and the remaining two-fifths in County C, then one-fifth of the school district's education aid is apportioned to County A, two-fifths to County B, and two-fifths to County C. Aid to charter schools is reported in the county in which each school is located.

The 2015/2016 education aid total does not include amounts paid to entities other than school districts:

- \$97.9 million to intermediate school districts<sup>4</sup>
- \$60.6 million to cooperative school organizations
- \$34.2 million to colleges and universities participating in the postsecondary enrollment options (PSEO) program
- \$20 million to Head Start programs
- \$7.8 million to nonprofits operating adult basic education
- \$2.7 million to the Faribault Academies for the Deaf and Blind
- \$2.6 million to four tribal contract schools

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<sup>4</sup> An intermediate school district is an educational cooperative authorized by statute and voluntarily created by participating school districts. Intermediate school districts offer special education services, vocational services, alternative learning programs, and administrative services for member school districts.

Education aid by home county<sup>5</sup> by school district was obtained from the Minnesota Department of Education.

## Recent Law Changes

The state aid share of school district revenue that is promised to the school district through Minnesota's school finance formulas is called the "aid entitlement." This report shows the school state aid entitlement amounts for each district (these are listed in Appendix A). The amount actually paid to school districts by the state during each fiscal year is called the "appropriation." Since school districts use the accrual method of accounting, the full amount of the aid entitlement owed to the district for a fiscal year is booked by the school district as revenue for that year, regardless of when the state aid is actually received. The state, on the other hand, uses a cash-based system of accounting. As a result, the "cost" to the state of school aid is only the actual appropriation for a particular school year, not the aid entitlement.

Payment shifts have been used to address state budget shortfalls since the early 1980s. For fiscal years 2010 to 2012, the school aid payment shifts were reinstated and portions of school aid payments were delayed until the following fiscal year. The amounts of school aid shown in this document are the state aid entitlements (the amount of state aid received by the school district for the relevant fiscal year). The property tax recognition shift and the aid payment shift have no effect on the amounts shown in this report.

## The Past Five Years of Education Aid

The table shows the distribution of education aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of education aid for the same time period in nominal and constant (inflation-adjusted) dollars.

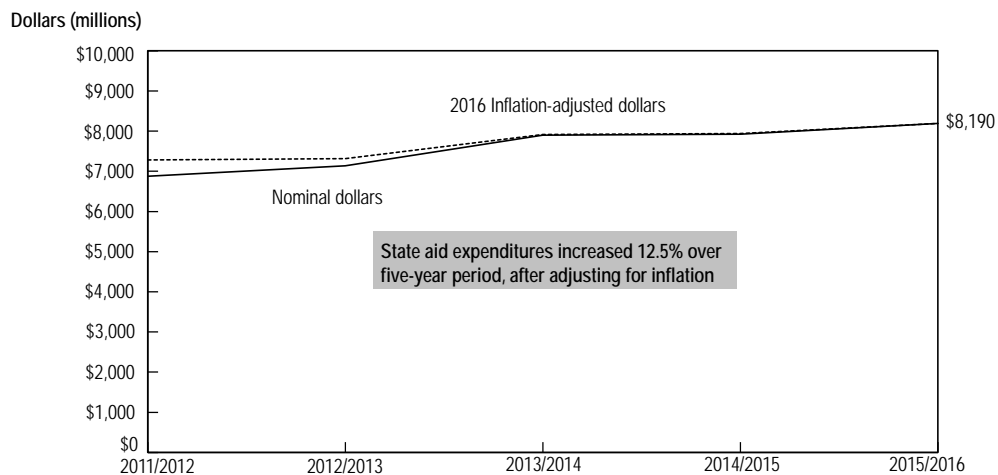
**Education Aid: 2011/2012 School Year to 2015/2016 School Year**  
Nominal dollars, in thousands

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$6,877,990</b>	<b>\$7,138,176</b>	<b>\$7,901,200</b>	<b>\$7,926,620</b>	<b>\$8,190,071</b>	<b>19%</b>
<u>Northern Regions</u>						
Northwest (1)	120,626	124,793	132,786	131,642	135,179	12
Headwaters (2)	123,435	128,524	136,477	141,025	146,686	19
Arrowhead (3)	363,533	373,037	395,197	406,577	417,594	15
West Central (4)	264,229	274,462	299,874	305,250	318,237	20
Five (5)	208,172	213,595	226,540	230,225	235,640	13

<sup>5</sup> A district's "home county" is the county in which the district's main administrative office is located.

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	5-Yr. Chg. Tax
East Central (7E)	195,664	199,963	212,177	221,452	228,932	17
<u>Southern Regions</u>						
Six East (6E)	145,610	153,139	164,250	165,764	170,546	17
Upper MN Valley (6W)	60,147	61,639	65,740	65,146	67,158	12
Central MN (7W)	526,413	547,322	602,281	624,799	645,483	23
Southwest (8)	160,103	166,663	181,225	182,153	189,529	18
Nine (9)	252,988	261,899	287,047	287,637	297,002	17
Southeastern MN (10)	601,292	627,162	687,962	693,965	720,572	20
<b>Total Nonmetro</b>	<b>\$3,022,211</b>	<b>\$3,132,198</b>	<b>\$3,391,556</b>	<b>\$3,455,635</b>	<b>\$3,572,558</b>	<b>18%</b>
<u>Metro Region</u>						
Hennepin County	1,470,716	1,524,462	1,729,886	2,945,134	1,756,907	19
Ramsey County	746,641	776,307	863,162	746,529	902,050	21
Remaining Metro	1,638,422	1,705,210	1,916,596	2,333,679	1,958,556	20
<b>Total Metro</b>	<b>\$3,855,778</b>	<b>\$4,005,978</b>	<b>\$4,509,644</b>	<b>\$4,470,985</b>	<b>\$4,617,513</b>	<b>20%</b>

### Statewide Education Aid



House Research Graphics

## Human Services Aid

### Program Description

Human services aid is the total amount of state aid for human services programs, including all income maintenance and social service programs. Although the federal government and the counties contribute money to programs in varying degrees, the amounts in this report reflect only the state's share of the human services costs.

### Aid Amount and Reporting

#### 2016 Human Services Aid: \$6.2 billion

The state's share of the human services expenditures for calendar year 2016 is \$6,205,627,063. The table shows the dollar amount of each of the major income maintenance and social service programs, and the share of total human services funding.

Type of Program	Amount	Percent
Medical Assistance (MA)	\$4,139,702,219	66.7%
Minnesota Family Investment Program (MFIP)	79,005,594	1.3
General Assistance (GA)	49,057,792	0.8
MinnesotaCare (MNCare)	7,833,559	0.1
Social Services (including Community Social Services Act)	1,734,850,137	28.0
Miscellaneous:		
Minnesota Supplemental Assistance	37,911,258	0.6
Group Residential Housing	154,399,369	2.5
Supplemental Nutrition Assistance Program (SNAP)	1,354,480	0.0
Title IV Child Support	1,512,655	0.0
<b>Total</b>	<b>\$6,205,627,063</b>	<b>100.0%</b>

State MFIP spending shown in this report is before offsetting any current year child support collections applied against current and prior years' MFIP payments. In calendar year 2016, MFIP spending in Minnesota totaled \$357.7 million (\$250.7 million federal, \$79.0 million state, \$28.0 million county), and offsetting child support collections totaled \$36.0 million. Half of these collections offset federal costs and half offset state costs.

The human services amounts, other than MinnesotaCare, are not available by county in four cases where the listed counties jointly provide services through a combined program :

- Des Moines Valley Health and Human Services (DVHHS)—Cottonwood and Jackson
- Human Service Board—Faribault and Martin

- Minnesota Prairie (MN Prairie)—Dodge, Steele, and Waseca
- Southwest Health and Human Services (SWHHS)—Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock

In these four groups, human services aid is administered through a “home” county: Jackson in DVHHS, Martin in the Human Service Board, Steele in MN Prairie, and Lyon in SWHHS. The total human service amount for DVHHS is \$28.7 million, for the Human Service Board is \$46.1 million, for MN Prairie is \$70.3 million, and for SWHHS is \$87.3 million. An amount for these 13 counties was estimated using population, and the estimated amounts appear in the county tables. Human services aid data was obtained from the Department of Human Services, Financial Management Division.

## The Past Five Years of Human Services Aid

The table below shows the distribution of human services aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of human services aid for that same time period in nominal and constant (inflation-adjusted) dollars.

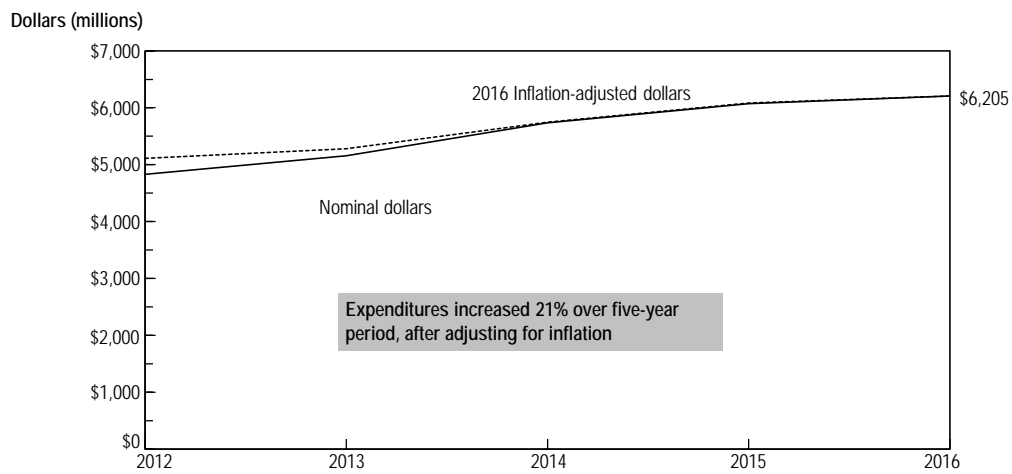
**Human Services Aid: Calendar Years 2012 to 2016<sup>6</sup>**  
Nominal dollars, in thousands

	2011	2012	2013	2014	2015	5-Yr. Chg. Tax
<b>State</b>	<b>\$4,829,686</b>	<b>\$5,154,118</b>	<b>\$5,737,905</b>	<b>\$6,072,061</b>	<b>\$6,205,627</b>	<b>28%</b>
<u>Northern Regions</u>						
Northwest (1)	87,176	90,533	95,560	100,053	108,049	24
Headwaters (2)	110,778	117,480	123,845	127,371	136,001	23
Arrowhead (3)	366,552	383,098	417,569	442,544	459,848	25
West Central (4)	210,812	223,136	237,319	248,929	266,642	26
Five (5)	164,806	172,958	200,346	211,800	223,101	35
East Central (7E)	131,673	141,426	157,220	167,006	176,977	34
<u>Southern Regions</u>						
Six East (6E)	98,935	103,779	113,476	120,141	129,944	31
Upper MN Valley (6W)	48,683	50,819	55,586	58,706	62,209	28
Central MN (7W)	250,358	270,111	308,684	330,077	352,802	41
Southwest (8)	107,946	113,421	124,613	128,353	138,080	28

<sup>6</sup> In 2012 to 2014, a small amount of MinnesotaCare subsidies are included in the state totals, but cannot be identified by county or region; as a result the state total for those years is slightly greater than the sum of the regions.

	2011	2012	2013	2014	2015	5-Yr. Chg. Tax
Nine (9)	185,656	192,320	216,830	223,729	235,233	27
Southeastern MN (10)	379,026	398,445	436,998	463,783	485,864	28
<b>Total Nonmetro</b>	<b>\$2,142,400</b>	<b>\$2,257,526</b>	<b>\$2,488,046</b>	<b>\$2,622,492</b>	<b>\$2,774,749</b>	<b>30%</b>
<u><b>Metro Region</b></u>						
Hennepin County	1,309,472	1,408,063	1,552,999	1,654,645	1,619,188	24
Ramsey County	671,676	721,604	792,916	839,715	832,146	24
Remaining Metro	706,138	766,712	903,799	955,210	979,526	39
<b>Total Metro</b>	<b>\$2,687,286</b>	<b>\$2,896,378</b>	<b>\$3,249,714</b>	<b>\$3,449,569</b>	<b>\$3,430,860</b>	<b>28%</b>

### Statewide Human Services Aid



House Research Graphics

## Highway Aid

### Program Description

Highway aid is the total amount of state aid distributed to counties, cities, and towns for highway purposes. It includes four basic types of aid: (1) amounts distributed to all counties and eligible cities from state tax revenues; (2) amounts distributed to counties, cities, and towns from state bond proceeds; (3) amounts distributed to towns for town roads and bridges; and (4) amounts distributed to some counties from sales taxes on motor vehicle leases. The sources of these funds are the Highway User Tax Distribution Fund (from a portion of the motor fuels tax, motor vehicle registration tax, and motor vehicle sales tax revenues), general sales tax from motor vehicle leases, and proceeds from state bonds.

Most of the aid is distributed according to a combination of constitutional and statutory formulas. The Minnesota Constitution sets the distribution formula for 95 percent of the money in the Highway User Tax Distribution (HUTD) fund: 29 percent is allocated to the County State-Aid Highway Fund, 9 percent to the Municipal State-Aid Street Fund for cities with populations over 5,000, and 62 percent to the state Trunk Highway Fund. Allocation of the remaining 5 percent of the HUTD fund is determined by the legislature. Following a statutory formula, in 2015 a little under half of the set-aside was used for town roads and town bridges. The rest went into a flexible highway account that was used for road improvements on “turnbacks” in which trunk highways become part of local road systems.

### Aid Amount and Reporting

#### 2016 Highway Aid: \$867.6 million

The total \$867.6 million in state highway aid paid in calendar year 2016 to the counties, cities (i.e., municipal), and towns is shown by category in the following table. Road and bridge bond funding amounts are the total expenditures made during 2016 (using the proceeds from state bonds that had been authorized in 2016 or previous years).

In fiscal year 2016, total highway funding from state and federal resources other than bond proceeds amounted to nearly \$2.75 billion for both state and local road systems. This total includes the \$867.6 million in state aid in this report except for the \$43.0 million in bond funding.

Type of Highway Aid	Amount	Total
<b>County Aid</b>		
County State Aid Highway	\$553,519,989	
County Road and Bridge Bond Funding	46,704,651	
Motor Vehicle Lease Sales Tax Aid	<u>30,666,160</u>	
County Aid Total		<b>\$630,890,800</b>



Type of Highway Aid	Amount	Total
<b>Municipal Aid</b>		
Municipal State Aid Street	\$173,612,036	
Municipal Road and Bridge Bond Funding	<u>20,472,868</u>	
Municipal Aid Total		<b>\$194,084,904</b>
<b>Township Aid</b>		
Town Road Account	\$31,197,026	
Town Bridge Account*	11,455,957	
Town Bridge Bond Funding	<u>0</u>	
Township Aid Total		<b><u>\$42,652,983</u></b>
<b>Total Highway Aid</b>		<b>\$867,628,686</b>
* The Department of Transportation sets aside a portion of Town Bridge Account funding for flexible distribution as needed throughout the state. Amounts in this special Town Bridge Account set-aside are not always spent within the calendar year and are not included in this report.		

County and municipal turnback money is not included in the state totals. This money is used to repair former state highways that have been or are being “turned back” to counties and municipalities. In 2016, the state allocated approximately \$54.7 million to the county turnback account, \$0 to the municipal turnback account, and \$0 for trunk highway turnbacks (administered by Department of Transportation district offices). There were disbursements of \$39.4 million to counties and \$1.1 million to municipalities. The amount disbursed for trunk highway turnbacks is not available. The amount spent on turnbacks in each county is not readily available.

Highway aid data was obtained from the Department of Transportation.

## Recent Law Changes

The 2008 Legislature provided for 50 percent of motor vehicle lease sales tax revenues in excess of a base amount<sup>7</sup> to be transferred to the County State-Aid Highway Fund, for allocation to metro area counties other than Hennepin and Ramsey. The first year a transfer occurred under this provision was in 2012. A temporary cap on the amount going to counties was set for fiscal year 2014.

The legislature has regularly authorized bonding for local roads and bridges. Authorizations totaled \$66 million in 2010 (with an additional \$10 million for disaster relief), \$43 million in

<sup>7</sup> The remaining 50 percent over the base amount is transferred to the greater Minnesota transit account.

2011, \$40 million in 2012 (with an additional \$30 million for disaster relief), \$4.5 million for disaster relief in 2013, \$36.6 million in 2014, and \$32.28 million in 2015 (with an additional \$3 million for disaster relief). This report shows local road and bridge bonding amounts in the year the bond funds were expended, which may lag behind when they were authorized. (The lag is largely because bonds are sold based on the cash flow needs of funded projects rather than all at once.)

## The Past Five Years of Highway Aid

The table below shows the distribution of highway aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of highway aid for that same time period in nominal and constant (inflation-adjusted) dollars.

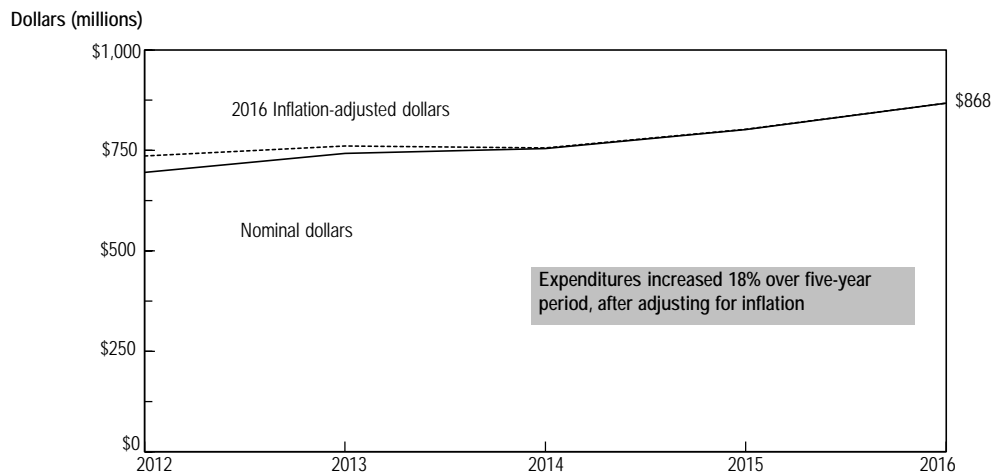
**Highway Aid: Calendar Years 2012 to 2016**  
Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$695,772</b>	<b>\$742,397</b>	<b>\$755,094</b>	<b>\$801,688</b>	<b>\$867,629</b>	<b>25%</b>
<u>Northern Regions</u>						
Northwest (1)	35,926	36,221	37,021	39,211	40,668	13
Headwaters (2)	20,239	20,693	20,900	21,808	24,354	20
Arrowhead (3)	67,240	79,553	87,281	77,304	85,094	27
West Central (4)	50,631	50,293	50,659	54,422	58,576	16
Five (5)	27,017	27,824	29,536	31,289	32,832	22
East Central (7E)	26,923	29,008	27,751	29,612	30,203	12
<u>Southern Regions</u>						
Six East (6E)	22,889	23,495	24,929	24,717	26,692	17
Upper MN Valley (6W)	18,132	18,459	18,482	18,725	20,707	14
Central MN (7W)	40,579	41,619	41,670	45,852	47,390	17
Southwest (8)	39,805	42,312	41,577	41,462	43,903	10
Nine (9)	47,581	49,129	49,500	53,039	54,420	14
Southeastern MN (10)	80,286	85,240	84,163	85,029	87,506	9
<b>Total Nonmetro</b>	<b>\$477,249</b>	<b>\$503,844</b>	<b>\$513,469</b>	<b>\$522,470</b>	<b>\$552,345</b>	<b>16%</b>
<u>Metro Region</u>						
Hennepin County	76,520	87,726	85,124	90,223	116,100	52
Ramsey County	36,020	35,987	40,155	53,491	54,613	52
Remaining Metro	105,983	114,840	116,347	135,504	144,571	36

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>Total Metro</b>	<b>\$218,523</b>	<b>\$238,553</b>	<b>\$241,625</b>	<b>\$279,218</b>	<b>\$315,284</b>	<b>44%</b>

Note: The previous version of this report failed to show some highway spending enacted in disaster relief bills. The historical table has been revised to include an additional \$6 million in 2012, \$21 million in 2013, and \$34 million in 2014.

### State Highway Aid



House Research Graphics

## Local Government Aid (LGA)

Local government aid (LGA) is a state program that provides property tax relief by giving general purpose financial support to cities. “Ability to pay” and “need” are the measures used in the formula. Ability to pay is the city’s adjusted net tax capacity multiplied by the average city tax rate.

The legislature enacted a new LGA formula during the 2013 session, effective beginning with aids payable in 2014. The new formula contains three measures of need depending on a city’s size:

- for small cities, with a population less than 2,500, need is based solely on the city size up to a maximum per capita amount;
- for medium cities, with a population of at least 2,500 but less than 10,000, need is based on (1) percent of housing built before 1940, (2) household size, and (3) population decline from a city’s peak population in the last 40 years; and
- for large cities, with a population of 10,000 or more, need is based on (1) jobs per capita, (2) age of housing stock (both housing built before 1940 and housing built between 1940 and 1970), and (3) a sparsity adjustment for cities with a population less than 150 per square mile.

If the aid a city received in the previous year exceeds its “unmet need” (the difference between its need and its ability to pay), its aid is reduced to its unmet need. All other cities receive an amount equal to their previous year’s aid plus an additional amount based on their unmet need.

## Aid Amount and Reporting

### 2016 Local Government Aid: \$519.4 million

The 2016 certified LGA total was \$519.4 million.

LGA data was obtained from the Department of Revenue.

## Recent Law Changes

### LGA appropriation change in 2019

The city LGA appropriation is permanently increased by \$26 million for aids payable in 2020 with an additional \$4 million beginning in 2021. The aid appropriation is \$564,398,012 for aids payable in 2021 and thereafter. Also, for calendar year 2020 only, no city’s aid amount may be less than its aid in 2019.

### LGA formula and appropriation changes in 2017

Several minor changes are made to the existing city LGA program during the 2017 session, affecting aids payable in 2018 and thereafter, including:

- A formula correction to ensure that no cities' aid could be reduced below their "unmet need" amount. Although 24 cities have their aid reduced below their unmet need in calendar year 2017, no correction is made to their 2017 payments, nor is the starting point for calculating their 2018 payments adjusted to reflect the 2017 error.
- A sparsity measure was added to the medium and small cities need formula for cities with a population density less than 30 persons per square mile.
- The transition range used to move a city from the need formula for medium-size cities to the formula for large cities is expanded by 500 people, to cover the range of 10,000 to 11,000 population.
- For aids paid in calendar year 2019 only, 29.2 percent of each city's July payment was paid a month early—by June 15, 2019, to balance state biennial budget targets.
- The city LGA appropriation is permanently increased by \$15 million beginning with aids payable in 2018.

### **LGA formula change in 2014**

The 2013 Legislature corrected a drafting error that impacted the LGA losses to cities that were getting more aid than their "unmet need" under the formula, effective for 2014 aid. Without the fix, a city that should have its LGA gradually decreased to its "unmet need" amount would have experienced bigger aid decreases if the total LGA appropriation were increased.

### **LGA formula prior to 2014**

The main formula used prior to 2014 also depended on "ability to pay" and "need" measures similar to the new formula, however there were only two measures of need:

- For cities with population of 2,500 or more, need was determined by five characteristics: population decline, age of the housing stock, if the city was in the seven-county metro area, average number of vehicular accidents over the most recent three-year period, and household size.
- For cities with population less than 2,500, need was determined by population decline, age of housing stock, percent of the property in the city classified as commercial or industrial, and a population adjustment factor.

The program also distributed additional aid to cities with a population less than 5,000 based on population, and to cities with a population of 5,000 or more based on the ratio of jobs to population in the city.

The formula did not guarantee any city received its aid from the previous year, outside of certain minimums, but redistributed the entire appropriation every year. The resulting volatility of payments to individual cities was partially addressed in several formula changes made in 2009. The new formula enacted in 2013 significantly reduced payment volatility.

## 2010 to 2012 aid reductions

- LGA reductions in 2010 consisted of two parts—\$102 million in the governor’s unallotments, ratified retroactively in the 2010 special session, and \$7.8 million in additional reductions enacted in the regular 2010 session. The reduction in the governor’s unallotment only applied to cities with a population greater than 1,000.
- The certified 2011 LGA amounts of \$527.1 million were reduced by \$101.9 million to actual payments of \$425.2 million.
- 2012 LGA payments to each city were reduced to the lesser of:
  - aid paid in 2010, or
  - aid certified in 2011.

## The Past Five Years of Local Government Aid

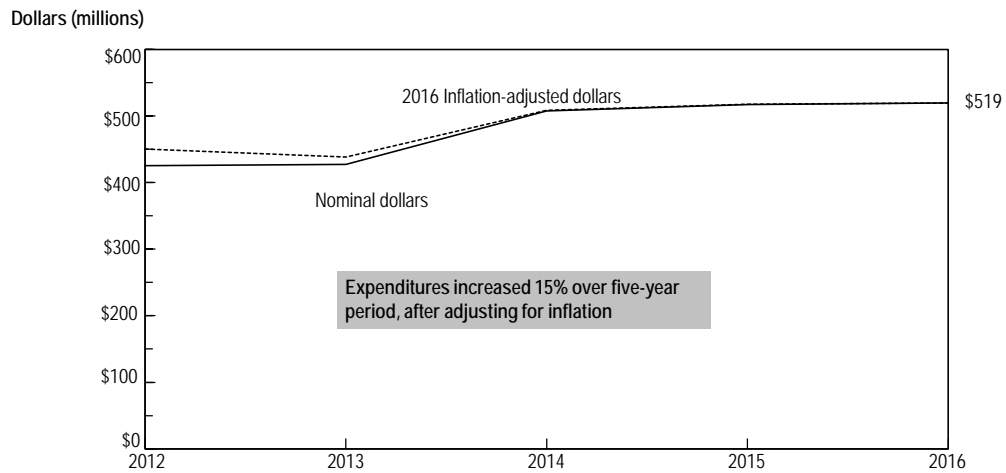
The table below shows the distribution of LGA in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of LGA for that same time period in nominal and constant (inflation-adjusted) dollars.

**Local Government Aid: Calendar Years 2012 to 2016**  
Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$425,238</b>	<b>\$427,495</b>	<b>\$507,598</b>	<b>\$516,898</b>	<b>\$519,398</b>	<b>22%</b>
<u>Northern Regions</u>						
Northwest (1)	15,189	15,190	16,967	17,141	17,147	13
Headwaters (2)	5,145	5,161	5,979	6,022	6,041	17
Arrowhead (3)	64,650	64,781	70,647	71,200	71,273	10
West Central (4)	25,531	25,606	27,998	28,265	28,341	11
Five (5)	12,927	13,016	15,065	15,288	15,321	19
East Central (7E)	6,762	7,189	10,001	10,375	10,483	55
<u>Southern Regions</u>						
Six East (6E)	15,207	15,244	17,456	17,736	17,801	17
Upper MN Valley (6W)	8,863	8,949	9,890	9,979	9,986	13
Central MN (7W)	20,791	21,368	27,381	28,179	28,432	37
Southwest (8)	21,341	21,341	24,186	24,450	24,513	15
Nine (9)	39,375	39,426	43,221	43,628	43,668	11
Southeastern MN (10)	56,479	56,640	66,481	67,442	67,578	20
<b>Total Nonmetro</b>	<b>\$292,261</b>	<b>\$293,912</b>	<b>\$335,272</b>	<b>\$339,706</b>	<b>\$340,583</b>	<b>17%</b>

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<u>Metro Region</u>						
Hennepin County	69,635	69,635	87,917	90,107	90,835	30
Ramsey County	54,971	54,971	67,074	68,536	69,072	26
Remaining Metro	8,371	8,977	17,335	18,550	18,908	126
<b>Total Metro</b>	<b>\$132,977</b>	<b>\$133,583</b>	<b>\$172,326</b>	<b>\$177,192</b>	<b>\$178,815</b>	<b>34%</b>

### Statewide Local Government Aid



House Research Graphics

## Disparity Reduction Aid (DRA)

### Program Description and Aid Amount and Reporting

#### 2016 Disparity Reduction Aid: \$18.1 million

Disparity reduction aid is a state aid program that distributed \$18,062,469 to counties, towns, and school districts in 2016. The aid is directed to taxing jurisdictions in areas that had inordinately high tax rates in the base year of 1988. The basis for computing the aid amount is the relationship of the area's 1988 tax rate to a benchmark tax rate of 100 percent of tax capacity. The amount paid under this program has not changed in the last five years.

Disparity Reduction Aid: 2016

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$469	2.6%
	Headwaters (2)	245	1.4
	Arrowhead (3)	10,730	59.4
	West Central (4)	326	1.8
	Five (5)	362	2.0
	East Central (7E)	146	0.8
Southern Regions	Six East (6E)	365	2.0
	Upper MN Valley (6W)	563	3.1
	Central MN (7W)	157	0.9
	Southwest (8)	820	4.5
	Nine (9)	837	4.6
	Southeastern MN (10)	1,676	9.3
<b>Total Nonmetro</b>		<b>\$16,697</b>	<b>92.4%</b>
Metro Region	Hennepin County	740	4.1
	Ramsey County	593	3.3
	Remaining Metro	32	0.2
<b>Total Metro</b>		<b>\$1,365</b>	<b>7.6%</b>
<b>State Total</b>		<b>\$18,062</b>	<b>100.0%</b>



## County Program Aid

### Program Description

One-half of the funding for county program aid is distributed based on each county's relative shares of (1) persons receiving food stamps, (2) age-adjusted population (population weighted more heavily for the number of persons over age 65), and (3) the reported number of Part I (serious) crimes. The other half is distributed based on a formula that takes into account each county's population and its property wealth. This distribution encompasses some of the distribution factors from the four programs that county program aid replaced in 2004: homestead and agricultural credit aid (HACA), county criminal justice aid (CCJA), family preservation aid (FPA), and attached machinery aid (AMA).

### Aid Amount and Reporting

#### 2016 County Program Aid: \$208.6 million

The total amount of county program aid certified for taxes payable in 2016 was \$208.6 million. This total is after subtraction of \$391,720 to pay for court-ordered counsel<sup>8</sup> and \$214,000 to pay for preparation of local impact notes.

The county program aid data was obtained from the Department of Revenue.

### Recent Law Changes

For 2011, the initial allocation was set at \$197.5 million. This was reduced by \$36.4 million to \$161.1 million in the 2011 special session tax law, which also set the 2012 aid amount at the lesser of the amount paid in 2010 or the amount certified in 2011.

For 2013, the legislature set the appropriation level at \$165.6 million. The 2013 Legislature increased the appropriation by \$40 million for aids payable in 2014 and thereafter.

The 2015 appropriation included \$1.5 million in onetime supplemental aid to Mahnommen County.

In 2017, the legislature made changes to the parameters in the distribution formula.

In 2019, the legislature increased the aid appropriation by \$26 million for aids payable in 2020 with an additional \$4 million added for aids payable in 2020 and thereafter.

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<sup>8</sup> \$500,000 was authorized for court-ordered counsel in 2016, which was offset by \$108,280 of the 2015 authorization that was unspent.

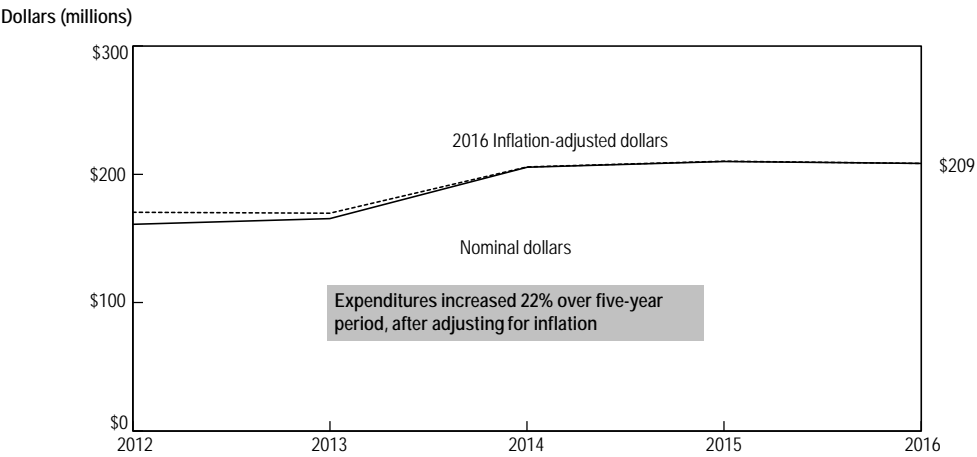
## The Past Five Years of County Program Aid

The table below shows the distribution of county program aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of county program aid for that same period in nominal and constant (inflation-adjusted) dollars.

### County Program Aid: Payable Years 2012 to 2016 Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$161,106</b>	<b>\$165,570</b>	<b>\$205,497</b>	<b>\$209,969</b>	<b>\$208,563</b>	<b>29%</b>
<u>Northern Regions</u>						
Northwest (1)	4,660	3,235	3,544	3,269	2,953	-37
Headwaters (2)	5,133	4,319	5,304	9,824	8,393	64
Arrowhead (3)	13,825	13,468	16,767	17,258	17,754	28
West Central (4)	7,481	7,546	8,901	8,453	8,160	9
Five (5)	4,287	5,258	6,611	6,680	6,813	59
East Central (7E)	6,300	6,867	8,703	9,035	9,297	48
<u>Southern Regions</u>						
Six East (6E)	4,076	3,917	4,793	4,584	4,567	12
Upper MN Valley (6W)	1,532	1,292	987	883	861	-44
Central MN (7W)	14,135	14,619	18,470	19,163	19,518	38
Southwest (8)	3,635	2,793	3,008	2,167	2,275	-37
Nine (9)	8,780	7,348	8,408	7,308	7,278	-17
Southeastern MN (10)	20,252	17,944	21,873	21,024	21,659	7
<b>Total Nonmetro</b>	<b>\$94,097</b>	<b>\$88,605</b>	<b>\$107,369</b>	<b>\$109,647</b>	<b>\$109,529</b>	<b>16%</b>
<u>Metro Region</u>						
Hennepin County	18,333	25,485	31,793	32,040	31,791	73
Ramsey County	12,440	12,937	16,416	16,933	17,098	37
Remaining Metro	36,235	38,543	49,919	51,349	50,145	38
<b>Total Metro</b>	<b>\$67,009</b>	<b>\$76,965</b>	<b>\$98,128</b>	<b>\$100,322</b>	<b>\$99,034</b>	<b>48%</b>

County Program Aid



House Research Graphics

## Community Corrections Funding

### Program Description

Although counties assume much of the cost of their community correctional services, the state provides significant direct funding and in-kind services. Counties choose to receive state funding and/or services from one of three basic funding systems: the community corrections act (CCA), county probation officer (CPO), and the Department of Corrections (DOC). For 2016, the counties were funded as follows:

- Thirty-three counties were CCA counties. This group contains about 70 percent of the state's population, including most of the Twin Cities metropolitan area.
- Fifty-four counties were non-CCA counties. Although the DOC provides adult felony supervision to all 54 of these counties, there are two delivery systems that are generally referenced as follows:
  - Twenty-six counties (called "CPO" counties) provide their own juvenile and adult misdemeanor supervision; and
  - Twenty-eight counties (called "DOC" counties) have their juvenile and adult misdemeanor supervision provided by the DOC.

To keep the counties on a comparable basis, the dollar amount of in-kind services provided by the DOC is included in this report, even though these counties do not receive an "aid payment" per se from the state.

### Aid Amount and Reporting

#### 2016 Community Corrections Funding: \$86.9 million

In 2016, state funding for community corrections was \$86,904,821.<sup>9</sup> The table below lists the calendar year 2016 statewide total amounts for the various community corrections funding programs.

Program	Amount	Percent
CCA aid	\$38,055,000	44.1%
CPO reimbursement aid	5,049,000	5.8
DOC field services	17,485,970	20.3
Adult felony caseload reduction	956,000	1.1
Caseload/workload reduction	14,319,998	16.6
Intensive supervision	6,676,000	7.7
Enhanced supervision of adult sex offenders	3,804,932	4.4

<sup>9</sup> An additional \$15.2 million, not included in this report, was distributed for miscellaneous categorical services.

Program	Amount	Percent
<b>Total Aid and In-kind Services</b>	<b>\$86,346,900</b>	<b>100.0%</b>

The DOC distributes some adult felony reduction aid, caseload/workload reduction aid, and intensive supervision aid to regional groups of counties. These counties and the DOC regions they belong to are listed in the table below.

Region	Counties
Central Minnesota	Aitkin Crow Wing Morrison
DFO	Dodge Fillmore Olmsted
Tri-County	Norman Polk Red Lake
Arrowhead	Carlton Cook Koochiching Lake St. Louis
Region 6W	Chippewa Lac Qui Parle Swift Yellow Medicine
Rock/Nobles	Rock Nobles
Todd/Wadena	Todd Wadena

CCA amounts are apportioned to the individual counties within each region based on a five-year average distribution within the groups of counties of Part I crimes,<sup>10</sup> as reported by the Department of Public Safety.

The community corrections funding data was obtained from the DOC.

<sup>10</sup> Part I crimes are the most serious crimes: murder and non-negligent homicide, rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny, and arson.

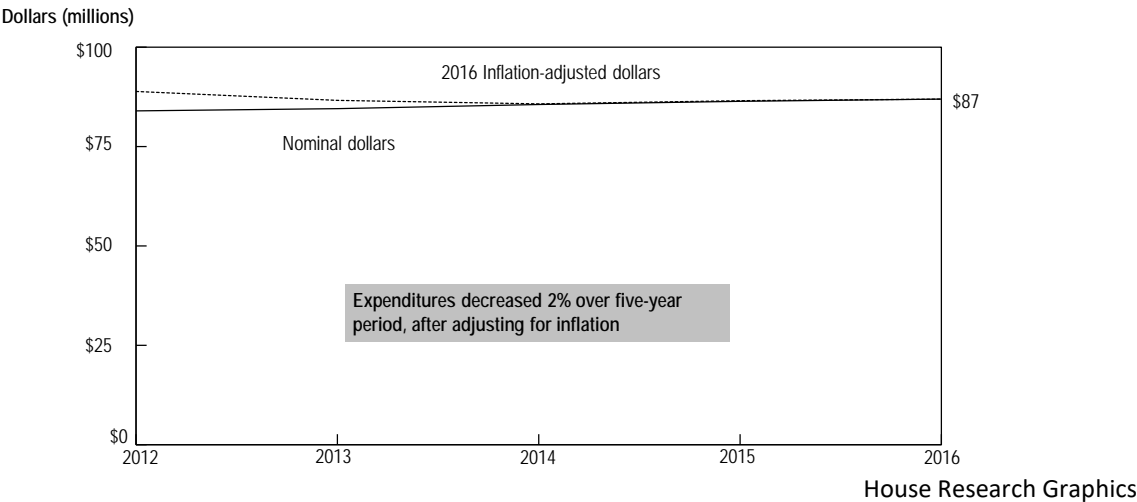
## The Past Five Years of Community Corrections Funding

The table below shows the distribution of community corrections funding in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of community corrections funding for that same period in nominal and constant (inflation-adjusted) dollars.

### Community Corrections Funding: Calendar Years 2012 to 2016 Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$83,945</b>	<b>\$84,518</b>	<b>\$85,543</b>	<b>\$86,347</b>	<b>\$86,905</b>	<b>4%</b>
<u>Northern Regions</u>						
Northwest (1)	1,822	1,839	1,857	1,912	1,835	1
Headwaters (2)	1,993	2,064	2,064	2,157	2,103	6
Arrowhead (3)	7,020	7,056	7,189	7,180	7,511	7
West Central (4)	3,880	3,931	3,931	4,047	3,754	-3
Five (5)	2,768	2,788	2,818	2,854	2,970	7
East Central (7E)	3,522	3,614	3,614	3,690	3,604	2
<u>Southern Regions</u>						
Six East (6E)	2,042	2,126	2,119	2,096	2,099	3
Upper MN Valley (6W)	772	769	776	782	788	2
Central MN (7W)	5,520	5,612	5,653	5,734	5,188	-6
Southwest (8)	2,158	2,222	2,221	2,345	2,230	3
Nine (9)	4,165	4,199	4,193	4,250	4,242	2
Southeastern MN (10)	7,428	7,411	7,433	7,605	7,600	2
<b>Total Nonmetro</b>	<b>\$43,090</b>	<b>\$43,630</b>	<b>\$43,866</b>	<b>\$44,652</b>	<b>\$43,922</b>	<b>2%</b>
<u>Metro Region</u>						
Hennepin County	17,388	17,388	17,690	17,690	18,134	4
Ramsey County	9,827	9,827	10,063	10,063	10,406	6
Remaining Metro	13,640	13,673	13,924	13,942	14,442	6
<b>Total Metro</b>	<b>\$40,855</b>	<b>\$40,888</b>	<b>\$41,677</b>	<b>\$41,695</b>	<b>\$42,982</b>	<b>5%</b>

Community Corrections Funding



## Homestead Credit Refund - Homeowners

### Program Description

The homestead credit refund, formerly called the property tax refund for homeowners, is a program in which the state partially reimburses homeowners for part of their property taxes if the taxes exceed a percentage of household income. Generally, the higher the property tax and the lower the income, the higher the refund. The legislature establishes the income and property tax thresholds, reimbursement rates, and maximum refund amounts for the program. Each qualifying homeowner must apply directly to the state for a refund.

### Aid Amount and Reporting

#### 2015 Homestead Credit Refund: \$390.9 million

Total homestead credit refunds for 2015 returns is \$390,870,718. These returns are based on 2015 income and property taxes payable in 2016, and filed beginning in 2016.

Homeowners*	Number of Returns	Total Amount	Average Refund
Senior Disabled	187,268	\$170,984,719	\$913
Under 65 Years	<u>260,316</u>	<u>219,885,999</u>	<u>845</u>
Total	447,584	\$390,870,718	\$873

\* Include claimants who are part-year homeowners and part-year renters for that year's claim.

### Recent Law Changes

The 2011 Legislature expanded the homeowner program by increasing the maximum refund to \$2,460 for homeowners with household incomes less than \$37,280 and decreasing the copayment percentage for all claimants with incomes from \$10,880 to \$93,240.

The 2013 Legislature renamed the program the "Homestead Credit Refund" and further expanded the program by decreasing the threshold percentages to 2 percent for incomes from \$19,530 to \$65,049, and to 2.5 percent for higher incomes, effective for refunds based on taxes payable in 2014. In addition, the department was required to notify homeowners if available data suggests they might be eligible for a refund of at least \$1,000. The notification program was a onetime effort scheduled for 2014 and limited to homeowners not already claiming the refund.

Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for less than 1 percent of 2014 claims. This report apportions these claims to counties based on each county's share of total claims.



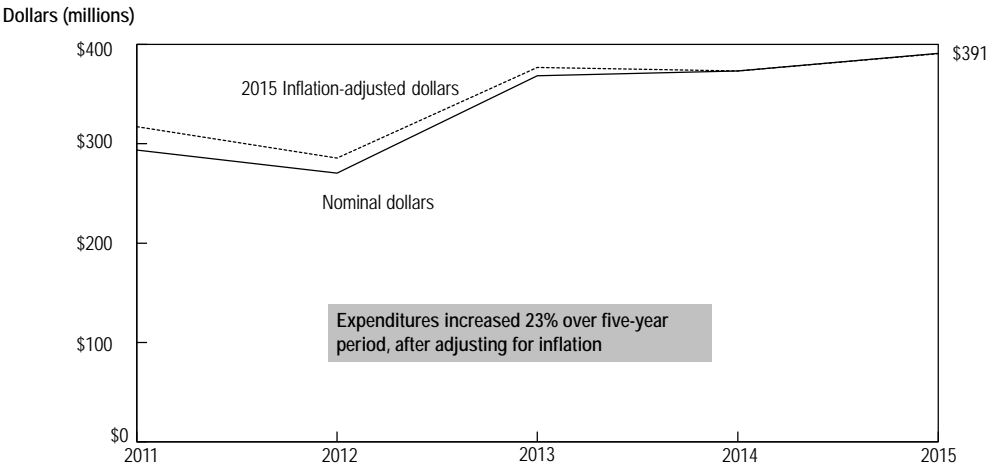
## The Past Five Years of Homestead Credit Refund

The table below shows the distribution of the homestead credit refund in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the property tax refund for homeowners for that same time period in nominal and constant (inflation-adjusted) dollars. The homestead credit refund historical data on this page excludes any targeting data.

### Homestead Credit Refund: 2011 to 2015 Nominal dollars, in thousands

	2011	2012	2013	2014	2015	5-Yr. Chg. Tax
<b>State</b>	<b>\$293,484</b>	<b>\$270,419</b>	<b>\$368,426</b>	<b>\$373,267</b>	<b>\$390,871</b>	<b>33%</b>
<u>Northern Regions</u>						
Northwest (1)	1,634	1,553	2,014	1,777	2,155	32
Headwaters (2)	1,926	1,862	2,472	2,339	2,426	26
Arrowhead (3)	10,204	10,119	15,391	15,486	15,368	51
West Central (4)	6,842	6,675	9,011	8,561	9,559	40
Five (5)	5,784	5,560	7,050	7,143	7,627	32
East Central (7E)	9,400	8,757	11,840	12,961	13,150	40
<u>Southern Regions</u>						
Six East (6E)	5,009	4,326	5,112	4,764	5,563	11
Upper MN Valley (6W)	745	639	741	677	816	9
Central MN (7W)	20,748	18,614	25,588	26,288	28,146	36
Southwest (8)	2,042	1,810	2,111	1,930	2,206	8
Nine (9)	6,693	6,137	8,446	8,573	9,795	46
Southeastern MN (10)	18,962	17,425	23,348	23,545	25,530	35
<b>Total Nonmetro</b>	<b>\$89,989</b>	<b>\$83,479</b>	<b>\$113,126</b>	<b>\$114,043</b>	<b>\$122,341</b>	<b>36%</b>
<u>Metro Region</u>						
Hennepin County	99,522	90,473	120,763	118,102	118,020	19
Ramsey County	34,666	32,313	41,452	42,168	43,691	26
Remaining Metro	69,307	64,154	93,086	98,953	106,819	54
<b>Total Metro</b>	<b>\$203,495</b>	<b>\$186,941</b>	<b>\$255,300</b>	<b>\$259,224</b>	<b>\$268,530</b>	<b>32%</b>

Statewide Homestead Credit Refund



House Research Graphics

## Property Tax Refund - Renters

### Program Description

The property tax refund for renters, also called the “renters’ credit,” is a program in which the state partially reimburses renters for part of their qualifying property taxes if the taxes exceed a percentage of household income. Generally, the higher the property tax and the lower the income, the higher the refund. The legislature establishes the income and property tax thresholds, reimbursement rates, and maximum refund amounts for the program and sets the amount of rent deemed to represent property taxes. Each renter must apply directly to the state for a refund.

### Aid Amount and Reporting

#### 2015 Filed 2016 Property Tax Refund for Renters: \$208.5 million

The total property tax refunds for 2015 returns filed in 2016 for renters is \$208,534,039. These returns are based on 2015 income and rent paid in 2015.

Renters	Number of Returns	Total Amount	Average Refund
Senior/Disabled	90,947	\$63,818,378	\$701
Under 65 Years	<u>237,165</u>	<u>144,715,661</u>	<u>610</u>
Total	328,112	\$208,534,039	\$636

### Recent Law Changes

The 2010 Legislature reduced the percent of rent considered to represent property taxes from 19 percent to 15 percent, for refunds based on rent paid in 2009 only. This put into law the change made in Governor Pawlenty’s 2009 unallotment, which reduced the percentage from 19 to 15 for refunds based on rent paid in 2009. A 2010 decision of the Minnesota Supreme Court invalidated other portions of the unallotment and suggested that the entire unallotment was likely invalid. For refunds based on rent paid in 2010, the percentage reverted to 19 percent.

The 2011 Legislature reduced the percentage of rent considered property taxes from 19 percent to 17 percent, effective beginning with refunds based on rent paid in 2011.

The 2013 Legislature expanded both the homeowner and renter property tax refunds. The legislature decreased the threshold percentages for renters to be no higher than those for homeowners and increased the maximum refund for renters to \$2,000.

Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for about 1.5 percent of 2014 claims. This report apportions these claims to counties based on each county’s share of total claims.

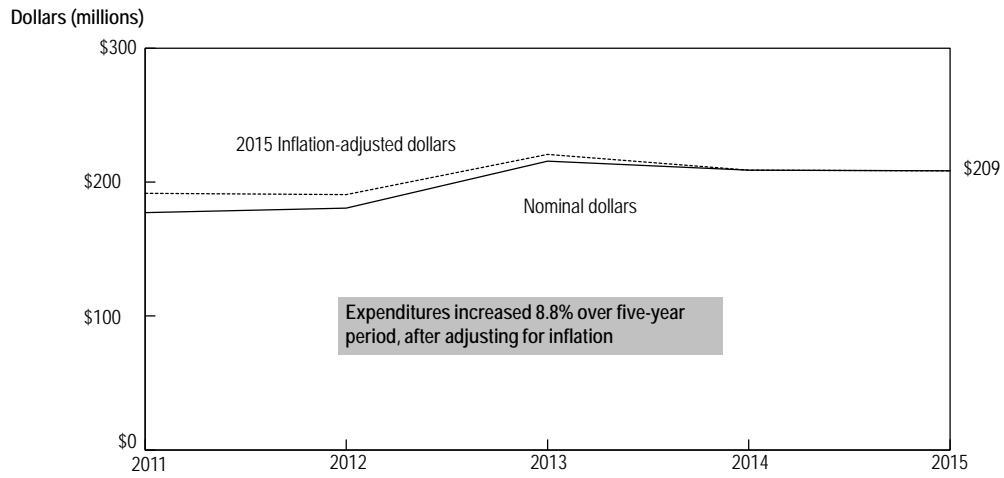
## The Past Five Years of Property Tax Refund for Renters

The table below shows the distribution of the property tax refund for renters in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the property tax refund for renters for that same time period in nominal and constant (inflation-adjusted) dollars. The property tax refund for renters historical data on this page excludes any targeting data.

### Property Tax Refund for Renters: 2011 (filed 2012) to 2014 (filed 2015) Nominal dollars, in thousands

	2011	2012	2013	2014	2015	5-Yr. Chg. Tax
<b>State</b>	<b>\$177,267</b>	<b>\$180,484</b>	<b>\$215,662</b>	<b>\$208,979</b>	<b>\$208,534</b>	<b>18%</b>
<u>Northern Regions</u>						
Northwest (1)	1,337	1,288	1,486	1,394	1,364	2
Headwaters (2)	1,588	1,603	1,805	1,711	1,702	7
Arrowhead (3)	8,521	8,504	9,503	8,908	8,826	4
West Central (4)	4,816	4,965	5,758	5,669	5,672	18
Five (5)	3,674	3,619	4,148	3,877	3,821	4
East Central (7E)	3,456	3,503	3,899	3,717	3,727	8
<u>Southern Regions</u>						
Six East (6E)	2,899	3,001	3,338	3,209	3,147	9
Upper MN Valley (6W)	736	723	806	758	764	4
Central MN (7W)	10,636	10,865	12,998	12,735	12,737	20
Southwest (8)	2,116	2,082	2,340	2,262	2,295	8
Nine (9)	5,293	5,386	6,406	6,008	5,957	13
Southeastern MN (10)	12,506	12,661	14,999	14,486	14,385	15
<b>Total Nonmetro</b>	<b>\$57,579</b>	<b>\$58,200</b>	<b>\$67,486</b>	<b>\$64,734</b>	<b>\$64,398</b>	<b>17%</b>
<u>Metro Region</u>						
Hennepin County	57,043	57,860	70,153	68,200	67,706	19
Ramsey County	27,652	28,161	33,865	33,026	33,017	19
Remaining Metro	34,993	36,263	44,158	43,019	43,412	24
<b>Total Metro</b>	<b>\$119,688</b>	<b>\$122,284</b>	<b>\$148,176</b>	<b>\$144,245</b>	<b>\$144,135</b>	<b>20%</b>

## Statewide Property Tax Refund for Renters



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## Additional Homestead Credit Refund (Targeting)

### Program Description

“Targeting” is an extension of the homestead credit refund program. The refund targets property tax relief to homeowners whose property tax increase over the previous year exceeds a threshold percentage set by the legislature. The homestead credit refund return (M1PR) contains a separate schedule for the targeting refund. The taxpayer files for this refund at the same time and in the same manner as for the homestead credit refund. However, unlike the homestead credit refund, all homeowners qualify for targeting regardless of their household income if the tax increase exceeds the specified percentage.

### Aid Amount and Reporting

#### 2016 Targeting Refunds: \$6.5 million

For returns filed in 2016 (for property taxes payable in 2016), the state paid 60 percent of the property tax increase over 12 percent (i.e., the taxpayer had to pay the first 12 percent increase over the previous year before qualifying for a refund), provided that the increase was greater than \$100. There were 69,664 returns filed in 2015 for a total amount of \$6,533,122. The average refund per return was \$94. (The maximum refund is \$1,000.)

Targeting refund amounts can change greatly from one year to the next in any given county. Factors resulting in large fluctuations in refunds in recent years include net tax changes due to volatility in the housing market and the phaseout of limited market value.

Four counties reported fewer than four claims for targeted refunds filed in 2016 by senior/disabled claimants or by nonsenior/nondisabled claimants (Clearwater, Mahnommen, Norman, and Wilkin). To protect taxpayer confidentiality, the Department of Revenue is unable to provide detailed counts for these counties. These refunds were included in the totals for “county undesignated.”

The total for which the county is undesignated represents 0.15 percent of all claims. This report apportions these claims to the 87 counties based on each county’s share of refunds.

### Recent Law Changes

The statutory percentage of 60 percent was increased to 90 percent for taxes payable in 2012 only under Laws 2012, chapter 294, article 1, section 6. For refunds based on the change in tax from 2011 to 2012 only, the targeting refund equaled 90 percent of the property tax increase over 12 percent, up to the maximum refund of \$1,000.

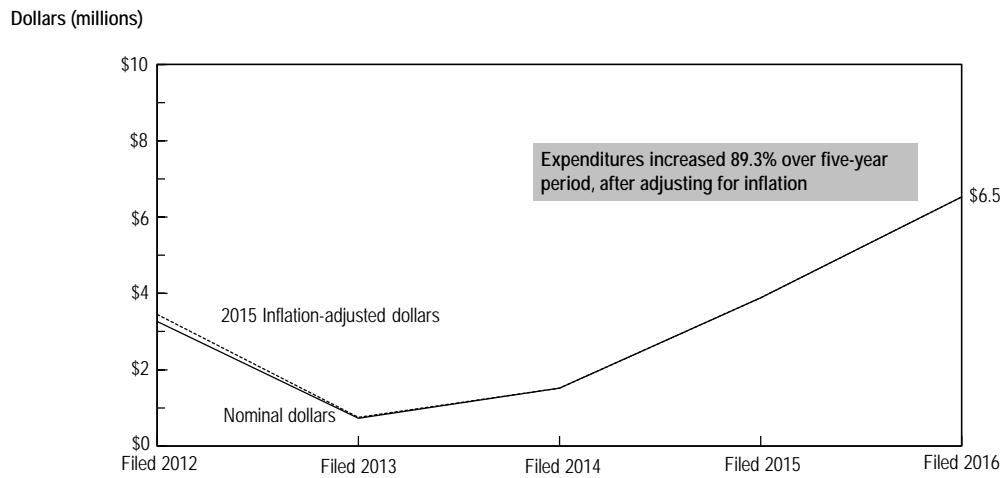
### The Past Five Years of Targeting Refunds

The table below shows the distribution of targeting refunds in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of targeting refund for that same time period in nominal and constant (inflation-adjusted) dollars.

**Targeting: Filed 2012 through Filed 2016**  
**Nominal dollars, in thousands**

	Filed 2012	Filed 2013	Filed 2014	Filed 2015	Filed 2016
<b>State</b>	<b>\$3,266</b>	<b>\$729</b>	<b>\$1,523</b>	<b>\$3,889</b>	<b>\$6,533</b>
<u>Northern Regions</u>					
Northwest (1)	129	12	10	4	126
Headwaters (2)	42	5	7	14	19
Arrowhead (3)	671	121	338	215	200
West Central (4)	380	32	39	48	318
Five (5)	236	32	36	110	205
East Central (7E)	88	24	113	330	234
<u>Southern Regions</u>					
Six East (6E)	48	8	14	26	131
Upper MN Valley (6W)	24	0	2	5	44
Central MN (7W)	324	30	52	151	562
Southwest (8)	58	8	7	5	185
Nine (9)	391	21	17	59	361
Southeastern MN (10)	297	42	75	165	306
<b>Total Nonmetro</b>	<b>\$2,690</b>	<b>\$335</b>	<b>\$709</b>	<b>\$1,130</b>	<b>\$2,690</b>
<u>Metro Region</u>					
Hennepin County	114	207	372	793	1,081
Ramsey County	311	108	169	863	589
Remaining Metro	152	78	273	1,102	2,174
<b>Total Metro</b>	<b>\$576</b>	<b>\$394</b>	<b>\$814</b>	<b>\$2,758</b>	<b>\$3,844</b>

## Targeting Refunds



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# Property Tax Data

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## Market Value Agricultural Credit

### Program Description

The market value agricultural credit was established by the 2001 Legislature, enhanced in 2002, and again in 2014.

The credit is equal to 0.3 percent of the first \$115,000 of taxable market value of the property, and 0.1 percent of the market value over \$115,000, to a maximum credit of \$490 per agricultural homestead. The maximum credit is reached at a market value of \$260,000. The credit does not apply to the value of the house, garage, and surrounding one acre of the agricultural homestead.

### Payable 2016 Aid Amount and Reporting: \$38.5 million

For taxes payable in 2003 to 2006 and 2008 to 2011, the state did not fully compensate local governments for the credit computed on each taxpayer's tax statement due to state budget shortfalls. The taxpayers still received the credit. Throughout this report, the credit amounts shown are after the reductions in compensation resulting from state budget shortfalls.

For taxes payable in 2007 and 2012 to 2016, the state paid the full amount of the credit to local governments, including in 2014 a supplemental amount paid directly to taxpayers after property tax statements had been sent out. In payable 2016, the amount of the credit was \$38.5 million.

**Market Value Agricultural Credit: Payable 2016**

		<b>Amount (thousands)</b>	<b>Percent of Total</b>
Northern Region	Northwest (1)	\$2,620,158	6.8%
	Headwaters (2)	1,198,462	3.1
	Arrowhead (3)	1,104,790	2.9
	West Central (4)	4,224,712	11.0
	Five (5)	2,945,087	7.6
	East Central (7E)	2,392,112	6.2
Southern Regions	Six East (6E)	2,346,754	6.1
	Upper MN Valley (6W)	1,748,519	4.5
	Central MN (7W)	3,288,594	8.5
	Southwest (8)	3,841,404	10.0
	Nine (9)	4,299,463	11.2
	Southeastern MN (10)	6,497,660	16.9
<b>Total Nonmetro</b>		<b>\$36,507,715</b>	<b>94.8%</b>

		Amount (thousands)	Percent of Total
Metro Region	Hennepin County	255,191	0.7
	Ramsey County	1,744	0.0
	Remaining Metro	1,763,082	4.6
<b>Total Metro</b>		<b>\$2,020,017</b>	<b>5.2%</b>
<b>State Total</b>		<b>\$38,527,732</b>	<b>100.0%</b>

## Miscellaneous Property Tax Credits

### Payable 2016 Miscellaneous Credits: \$30.1 million

The total of the miscellaneous property tax credits for 2016 is \$30.1 million. This includes the taconite homestead credit, disparity reduction credit, power line credit, agricultural preserves credit, county conservation credit, and the disaster credits. A statewide breakdown of these miscellaneous credits is shown below.

Type of Credit	Amount
Taconite Homestead Credit	\$16,481,272
Disparity Reduction Credit	11,858,726
Power Line Credit	511,367
Agricultural Preserves Credit	1,130,792
County Conservation Credit	192,756
State Disaster Credit	0
Local Option Disaster Credit	0
<b>Total</b>	<b>\$30,174,913</b>

The taconite homestead credit is the largest of the miscellaneous credits. Homeowners in the taconite tax relief areas, located in northern Minnesota on the Iron Range, receive a credit of either 57 percent of the net tax, capped at \$289.80 per homestead, or 66 percent of the net tax, capped at \$315.10 per household. The percentage of relief depends upon certain characteristics of the local jurisdiction, such as the value of the iron ore in the district, proximity to mines, etc. Over two-thirds of the credit, \$11.8 million, is paid from proceeds of the taconite production tax, while \$4.7 million is paid from the state general fund. The portion paid from the general fund is referred to as the supplemental homestead credit. The mobile home taconite homestead credit and any adjustment amounts for prior years are not included in the amounts shown.

The disparity reduction credit provides additional property tax relief in certain cities along Minnesota's western border. The credit applies to apartments, commercial-industrial, and public utility property only. The credit is the amount by which the net tax exceeds a specified percentage of the property's market value for affected properties.

### Recent Changes

In 2014, the legislature expanded the disparity reduction credit program to include the city of Ortonville along the border with South Dakota beginning with taxes payable in 2015. Previously the program had only covered the cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead along the North Dakota border. Also, beginning with taxes payable in 2015, the credit threshold was reduced from 1.9 percent of market value to 1.6 percent.

## Miscellaneous Property Tax Credits: Payable 2016

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$1,731,931	5.7%
	Headwaters (2)	12,049	0.0
	Arrowhead (3)	15,348,618	50.9
	West Central (4)	9,984,826	33.1
	Five (5)	1,159,063	3.8
	East Central (7E)	24,765	0.1
Southern Regions	Six East (6E)	21,660	0.1
	Upper MN Valley (6W)	230,780	0.8
	Central MN (7W)	124,684	0.4
	Southwest (8)	67,222	0.2
	Nine (9)	189,225	0.6
	Southeastern MN (10)	84,000	0.3
<b>Total Nonmetro</b>		<b>\$28,978,823</b>	<b>96.0%</b>
Metro Region	Hennepin County	264,789	0.9
	Ramsey County	0	0.0
	Remaining Metro	931,299	3.1
<b>Total Metro</b>		<b>\$1,196,088</b>	<b>4.0%</b>
<b>State Total</b>		<b>\$30,174,911</b>	<b>100.0%</b>

A county breakdown of the taconite homestead credit is shown below.

County	Taconite Credit
Aitkin	\$906,439
Cook	529,331
Crow Wing	1,157,709
Itasca	4,318,158
Koochiching	5,208
Lake	1,136,314
St. Louis	8,428,113
<b>Total</b>	<b>\$16,481,272</b>

## Property Values, Levies, and Tax Rates

### Statewide Property Value: Assessment Year 2015, Taxes Payable in 2016

<b>Market Value:</b>	<b>\$611.0 billion</b>
<b>Market Value Exclusion:</b>	<b>\$27.5 billion</b>
<b>Taxable Market Value:</b>	<b>\$583.5 billion</b>
<b>Net Tax Capacity:</b>	<b>\$6.72 billion</b>
<b>Referendum Market Value:</b>	<b>\$472.8 billion</b>

The total market value for taxes payable in 2016 is \$611.0 billion<sup>11</sup>; homestead market value exclusions of \$27.5 billion reduced this to \$583.5 billion of taxable market value. Class rates are applied to the taxable market value, resulting in total net tax capacity of \$6.72 billion. Net tax capacity is the tax base used for levies other than most referendum levies.

Referendum market value is the total market value excluding the value of agricultural and seasonal-recreational property, and is the tax base used for most referendum levies. The total referendum market value for taxes payable in 2016 is \$472.8 billion. The table shows the distribution of the two tax bases.

	<b>Net Tax Capacity</b>	<b>Percent of Total</b>	<b>Referendum Market Value</b>	<b>Percent of Total</b>
<b>State</b>	<b>\$6,721,659,354</b>	<b>100%</b>	<b>\$472,827,613,196</b>	<b>100%</b>
Northern Region				
Northwest (1)	136,832,364	2.0	4,703,199,128	1.0
Headwaters (2)	90,177,178	1.3	5,088,961,453	1.1
Arrowhead (3)	342,499,261	5.1	23,008,343,908	4.9
West Central (4)	356,021,580	5.3	16,239,199,900	3.4
Five (5)	228,512,885	3.4	11,882,201,603	2.5
East Central (7E)	127,638,934	1.9	10,124,644,525	2.1
Southern Regions				
Six East (6E)	164,311,887	2.4	7,302,818,550	1.5

<sup>11</sup> The state total excludes \$421 million of market value that is located in Job Opportunity Building Zones (JOBZ) and exempt from most property taxes.

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
Upper MN Valley (6W)	107,504,872	1.6	2,110,334,891	0.4
Central MN (7W)	394,458,600	5.9	30,679,757,140	6.5
Southwest (8)	266,513,287	4.0	6,215,490,785	1.3
Nine (9)	329,134,594	4.9	14,682,301,616	3.1
Southeastern MN (10)	550,571,227	8.2	35,481,984,490	7.5
<b>Total Nonmetro</b>	<b>\$3,094,176,669</b>	<b>46.0%</b>	<b>\$167,519,237,989</b>	<b>35.4%</b>
Metro Region				
Hennepin County	1,749,648,327	26.0	142,055,154,782	30.0
Ramsey County	512,159,082	7.6	43,347,066,300	9.2
Remaining Metro	1,365,675,276	20.3	119,906,154,125	25.4
<b>Total Metro</b>	<b>\$3,627,482,685</b>	<b>54.0%</b>	<b>\$305,308,375,207</b>	<b>64.6%</b>

### Payable 2016 Net Property Tax Levy Before Credits: \$8.78 billion

The payable 2016 net property tax levy made by each type of taxing district is shown in the following table (excluding special assessments). The table includes \$7,922 million of local net tax capacity levy, \$862 million of referendum market value levy, and \$850 million of state general levy. The tables in section 2 show the net tax capacity levy and the market value levy combined by jurisdiction type, except they show the school district net tax capacity and referendum market value levies separately. The school district referendum market value levy is \$929 million, nearly all of the \$961 million in total statewide market value levy. "Special taxing districts" include the Metropolitan Council, regional transit authorities, hospital districts, port authorities, watershed districts, etc.

Type of Taxing District	Payable 2016 Net Property Tax Levy	Percent
<b>County</b>	<b>\$2,731</b>	<b>31.1%</b>
City	1,946	
Town	243	
<b>City/Town</b>	<b>\$2,189</b>	<b>24.9%</b>
<b>School District</b>	<b>\$2,445</b>	<b>27.8%</b>
Special Taxing Districts	321	
Tax Increment Financing	235	
Power Line	1	

Type of Taxing District	Payable 2016 Net Property Tax Levy	Percent
Miscellaneous Districts	\$557	6.3%
State	\$862	9.8%
<b>Total, all districts</b>	<b>\$8,784</b>	<b>100.0%</b>

Note that in the statewide, region, and county tables (section 2 and online), the fiscal disparities levy is included in the “Miscellaneous District Levy,” since that is how it is reported to the Department of Revenue. A detailed breakdown of that levy by type of taxing jurisdiction by county is not available, while in the table above the fiscal disparities levy is included in the totals for the various jurisdiction types statewide. Note that the fiscal disparities levies attributed to taxing jurisdictions in the table above are \$4.8 million higher than the actual fiscal disparities levy (included in “Miscellaneous District Levy” in section 2 and online), because \$4.8 million was contributed to the metropolitan area fiscal disparities pool by the state of Minnesota. State payments to the pool are in effect from 2015 through 2018.

### **Payable 2016 Net Property Taxes Payable: \$8.72 billion**

“Net property tax levy” is the amount levied before reductions for state-paid property tax credits. The net property tax payable, which is the amount that appears on property tax statements, is \$8.72 billion, which is the total levy of \$8.78 billion minus property tax credits of \$69 million.

### **Payable 2016 Average Tax Rate Calculations**

The average net tax capacity rate is computed by dividing the total net tax capacity levy excluding special assessments by the total net tax capacity, then multiplying by 100.

The tables show separate average tax rates for the net tax capacity levy and the referendum market value levy.

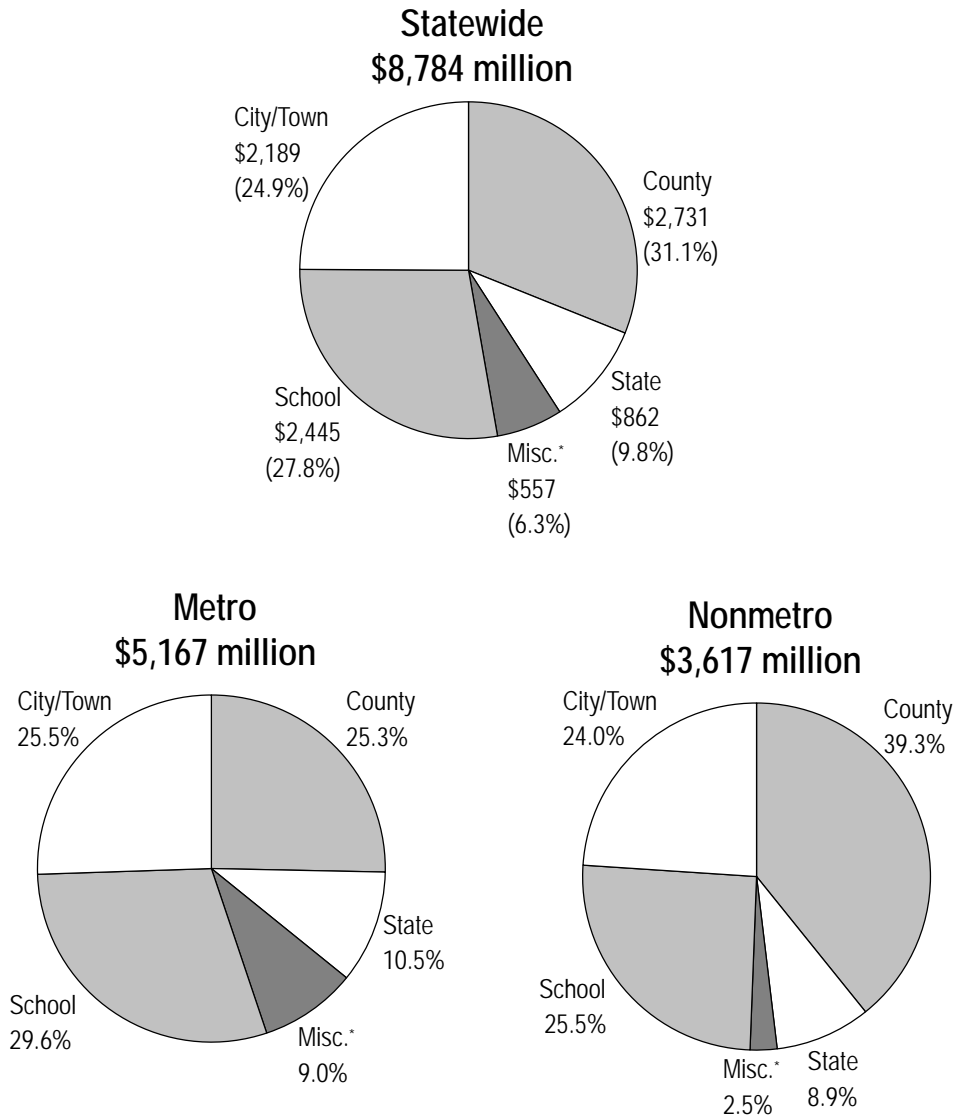
For purposes of the net tax capacity tax rate calculation:

- “levy” includes the tax increment financing levy and the fiscal disparities contribution levy; and
- “tax capacity” includes the total net tax capacity before the subtraction of the tax increment financing captured net tax capacity and before any fiscal disparities adjustments.

This rate represents the average local net tax capacity rate of taxation on all property.



## Payable 2016 Property Tax Levies before Credits by Type of Taxing District



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\* Miscellaneous includes special taxing districts, tax increment financing, and power line levies, but excludes the fiscal disparities distribution levy, which in this graph has been allocated to counties, cities/towns, school districts, and special districts. **(The tables later in the report show the fiscal disparities levy as part of "Miscellaneous District Levy.")**

## Major State Taxes

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# Individual Income Tax

## Program Description

Individual income tax is a tax imposed by the state upon (1) the income of Minnesota residents and (2) the income, derived from Minnesota sources, of nonresident individuals. The 2015 tax base is federal taxable income with minor modifications, including the addition of interest earned on bonds issued by non-Minnesota state and local governments, and subtractions for military pay, charitable contributions of nonitemizers, and certain dependent education expenses. Rates applied in 2015 ranged from 5.35 percent to 9.85 percent. In 2015, Minnesota allowed a refundable dependent care credit of up to \$720 for one child and \$1,440 for two or more children, a refundable credit of up to \$1,000 per child for K-12 education expenses, and a working family credit tied to the federal earned income credit. The maximum working family credit was \$2,038.

## Tax Amount and Reporting

**2015 Individual Income Tax: \$9.9 billion**

**\$9.4 billion from residents**

The total amount of 2015 net individual income tax revenues (after refundable credits) is \$9,941 million. \$569.5 million came from returns filed by nonresident taxpayers and \$106 million from Minnesota resident returns for which the Department of Revenue was unable to identify the taxpayer's county of residence. The \$106 million from Minnesota resident returns is apportioned to counties based on each county's share of tax, but the \$569.5 million paid by nonresidents is not apportioned to counties. The net amount paid by Minnesota residents is \$9,372 million.

Individual income tax data was obtained from the Department of Revenue.

## Recent Law Changes

The 2019 Legislature enacted a significant restructuring of the state's income tax, effective for tax year 2019. The law changed the state's income tax to make Federal Adjusted Gross Income the starting point for the state's income tax, and established a Minnesota dependent exemption, standard deduction, and itemized deductions. These changes are not reflected in this report.

Effective in tax year 2013, Minnesota added a fourth rate of 9.85 percent. The new rate applied to taxable income in excess of \$250,000 for married joint filers, \$150,000 for single filers, and \$200,000 for head of household filers. The income brackets are adjusted annually for inflation.

## The Past Five Years of Individual Income Tax

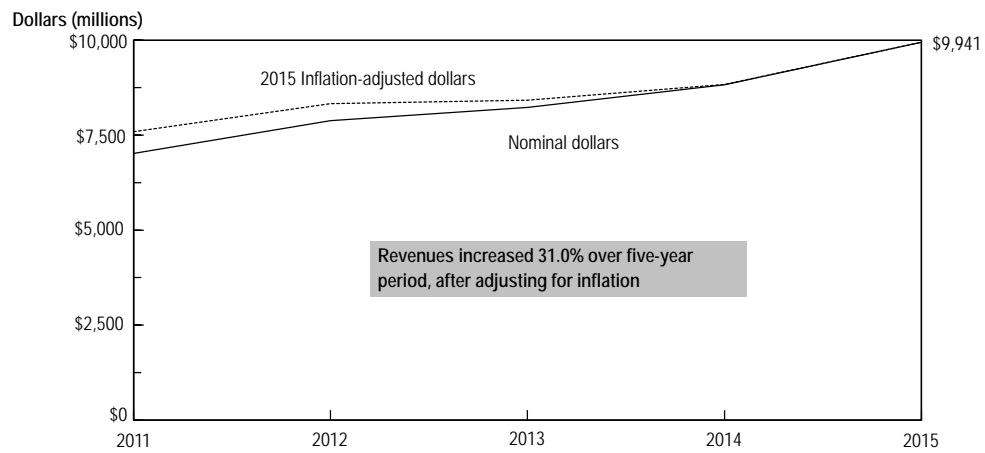
The table below shows the distribution of individual income tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars

of individual income tax for that same period in nominal and constant (inflation-adjusted) dollars.

**Individual Income Tax, Residents Only: Tax Years 2011 to 2015**  
**Nominal dollars, in thousands**

	2011	2012	2013	2014	2015	5-Yr. Chg. Tax
<b>State</b>	<b>\$7,018,451</b>	<b>\$7,882,613</b>	<b>\$8,225,332</b>	<b>\$8,829,064</b>	<b>\$9,941,265</b>	<b>42%</b>
<u>Northern Regions</u>						
Northwest (1)	102,167	111,422	114,916	107,138	103,423	1
Headwaters (2)	52,873	61,882	62,447	66,055	70,288	33
Arrowhead (3)	275,837	301,580	312,194	329,331	345,406	25
West Central (4)	213,862	249,336	245,266	252,448	263,459	23
Five (5)	116,071	128,991	136,210	140,152	149,859	29
East Central (7E)	129,801	140,596	150,849	159,537	171,939	32
<u>Southern Regions</u>						
Six East (6E)	117,186	132,688	135,037	135,366	133,038	14
Upper MN Valley (6W)	50,232	54,779	53,207	47,944	48,201	-4
Central MN (7W)	417,275	476,172	497,821	521,154	564,350	35
Southwest (8)	117,387	136,832	129,304	123,452	123,825	5
Nine (9)	224,030	251,841	251,363	278,209	267,754	20
Southeastern MN (10)	541,881	593,631	618,848	642,935	677,583	25
<b>Total Nonmetro</b>	<b>\$2,358,602</b>	<b>\$2,639,750</b>	<b>\$2,707,464</b>	<b>\$2,803,722</b>	<b>\$2,919,125</b>	<b>24%</b>
<u>Metro Region</u>						
Hennepin County	2,225,620	2,557,860	2,661,668	2,945,134	3,123,667	40
Ramsey County	611,488	676,927	715,301	746,529	832,526	36
Remaining Metro	1,822,741	2,008,076	2,140,899	2,333,679	2,496,406	37
<b>Total Metro</b>	<b>\$4,659,849</b>	<b>\$5,242,863</b>	<b>\$5,517,869</b>	<b>\$6,025,342</b>	<b>\$6,452,599</b>	<b>38%</b>

### Statewide Income Tax, Residents Only



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## Sales/Use Tax

### Program Description

Sales tax is imposed by the state on the gross receipts of all persons who sell, lease, or rent tangible personal property, including most digital products, at retail or provide taxable services. The use tax complements the sales tax and is imposed at the same rate on the storage, use, or consumption in Minnesota of taxable, tangible personal property and taxable services purchased from any retailer, unless the Minnesota sales tax was already paid on these items. Since July 1, 2009, the state sales and use rate has been 6.875 percent.

Major exemptions include: unprepared food, clothing, all drugs and medications, gasoline and special fuels taxed under the motor fuels excise tax, most publications, motor vehicle purchases subject to the 6.5 percent sales tax on motor vehicles, materials used or consumed in agricultural or industrial production, textbooks, residential heating fuels and water services, industrial capital equipment, most purchases by local governments, and a number of purchases by and sales made by number of nonprofit organizations.

### Tax Amount and Reporting

**Calendar Year 2016 Sales/Use Tax: \$5.8 billion (gross)**

**\$5.6 billion (net after refunds)**

**\$4.7 billion from residents and in-state sellers**

A total of \$5,788.6 million in state sales/use taxes was collected during calendar year 2016. The net amount of sales/use tax after the reduction of capital equipment refunds of \$145.6 million<sup>12</sup> was \$5,643 million. The total amount of capital equipment refunds is allocated to counties based on the ratio of each county's mining and manufacturing payroll to the total statewide mining and manufacturing payroll. Of the \$5.6 billion in net sales taxes, about \$964 million was collected from returns filed by out-of-state vendors, resulting in \$4.7 billion allocated to Minnesota. The amount collected from returns filed by out-of-state sellers is not allocated to Minnesota in this report since the taxpayer's residence and/or place of business is unknown, nor is it included in the five-year historical table on page 55. The table shows the amount and share of taxes that were allocated to Minnesota (paid by residents and in-state sellers) and the portion not allocated to Minnesota (paid by out-of-state sellers) over the last ten years.

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<sup>12</sup> This includes refunds paid on other exempt purchases where the tax is paid at the time of purchase and then refunded, mainly for some specific capital projects. The capital equipment exemption became an upfront exemption July 1, 2015 but businesses have 3 ½ years to claim the refunds so the refund amount will decline over time.

## Sales/Use Taxes (in thousands, after capital equipment refund)

	Allocated to Minnesota		Not Allocated to Minnesota		
Year	Amount	Percent	Amount	Percent	Total
2006	3,729,834	84.2	701,410	15.8	4,431,245
2007	3,753,243	83.6	737,234	16.4	4,490,477
2008	3,704,922	83.6	725,751	16.4	4,430,673
2009	3,282,128	84.1	620,690	15.9	3,902,818
2010	3,792,834	84.1	719,073	15.9	4,511,908
2011	3,975,604	84.0	758,966	16.0	4,734,571
2012	4,192,302	83.7	815,555	16.3	5,007,858
2013	4,381,851	83.5	865,535	16.5	5,247,386
2014	4,510,068	83.0	926,466	17.0	5,436,534
2015	4,559,522	82.1	993,282	17.9	5,552,804
2016	4,679,952	82.9	963,560	17.1	5,642,952

Most of the amount not allocated to Minnesota is a tax on sales made by out-of-state businesses to Minnesota residents, which are reported on a single non-Minnesota return. The amount not allocated to Minnesota has gradually increased from about 14 percent to 17 percent.

The sales tax amounts contained in this report exclude any local sales taxes that cities and counties impose. Local sales taxes are used primarily to support specific capital projects.<sup>13</sup> The amounts shown in the statewide tables are net of the capital equipment refund; the amounts shown by geographic region in the maps are also net of the total remitted by out-of-state sellers. Because sales tax is reported in the county where the seller is located, higher amounts tend to be reported in counties with a regional center (e.g., Twin Cities, Duluth, Rochester, etc.).

Sales/use tax data were obtained from the Department of Revenue.

## Recent Law Changes

The tax rate was 3.0 percent when enacted in 1967 and has risen gradually over time. The most recent increase, from 6.5 percent to 6.875 percent, is a temporary increase imposed from July

<sup>13</sup> More detail on local sales taxes, including a list of localities that currently impose local sales taxes, is available in the House Research publication Local Sales Taxes in Minnesota. Pat Dalton, October 2019.  
<https://www.house.leg.state.mn.us/hrd/pubs/localsal.pdf>

1, 2009, to June 30, 2034. The extra revenue from this temporary rate increase is constitutionally dedicated to fund clean water, parks and trails, and arts and cultural heritage.

The legislature fairly often modifies the goods and services included in the sales tax base. The most significant changes in recent years are:

- exempting most local government purchases by towns (2011), cities and counties (2013), and special taxing districts (2013);
- imposing the tax on most digital products (2013), and
- switching the capital equipment exemption from a refundable exemption to an upfront exemption in 2015.

## **Sales Taxes and Future Increased Collections by Out-of-State Sellers**

For a number of years Minnesota has had a statutory provision requiring that out-of-state sellers with an economic presence in the state (i.e., making a certain minimum number of sales into the state) to collect and remit Minnesota sales tax *to the extent allowed under the U.S. constitution and federal law*. In 2017 the legislature extended this duty to collect Minnesota sales taxes to Internet marketplace providers.

This statute was not enforced because the U.S. Supreme Court, in a number of cases culminating in *Quill Corp. v. North Dakota (1992)*, found it unconstitutional to require a seller without a physical presence in a state to collect its tax. In 2018 in *South Dakota v. Wayfair* the U.S. Supreme Court overturned that finding and upheld a state's ability to require sales tax collection based on "economic presence" under certain circumstances. Minnesota began requiring out-of-state sellers and internet marketplace providers that meet the economic presence standard to collect state sales tax on October 1, 2018. This change will greatly increase the percent of total sales tax remittances that will not be allocated to a state, county, or region.

## **The Past Five Years of Sales/Use Tax**

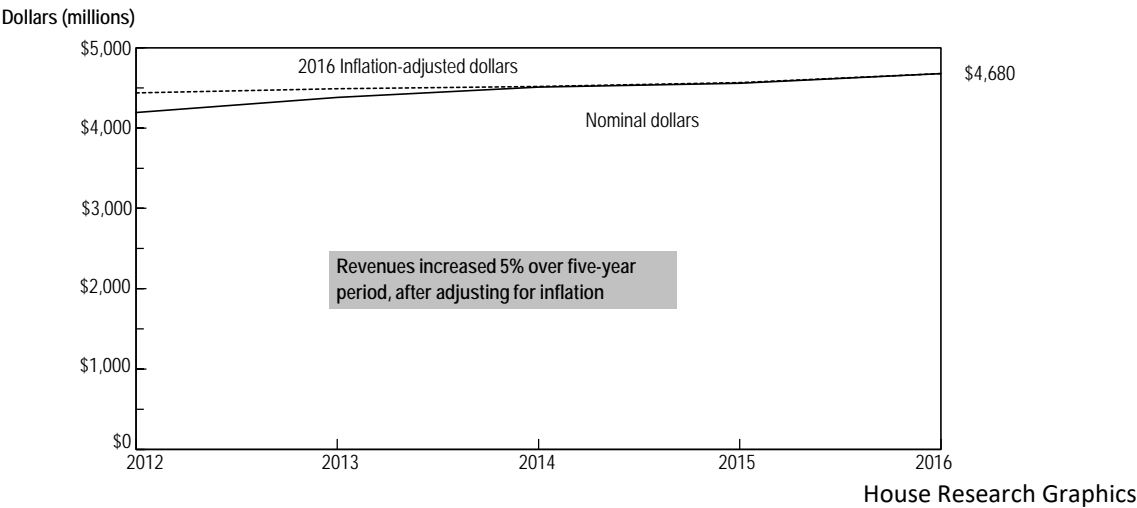
The table below shows the distribution of sales/use tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of sales/use tax for that same time period in nominal and constant (inflation-adjusted) dollars.



**Sales/Use Tax, Residents and In-State Sellers: Calendar Years 2012 to 2016**  
**Nominal dollars, in thousands**

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$4,192,302</b>	<b>\$4,381,851</b>	<b>\$4,510,068</b>	<b>\$4,559,522</b>	<b>\$4,679,392</b>	<b>12%</b>
<u>Northern Regions</u>						
Northwest (1)	40,376	41,188	40,565	39,594	40,452	0
Headwaters (2)	51,790	54,954	58,634	60,280	60,991	18
Arrowhead (3)	251,467	250,075	267,435	260,345	253,763	1
West Central (4)	145,029	149,159	152,028	151,786	155,817	7
Five (5)	101,085	104,737	108,083	112,722	117,871	17
East Central (7E)	62,030	65,321	69,327	73,732	77,445	25
<u>Southern Regions</u>						
Six East (6E)	75,359	72,934	74,855	74,111	74,390	-1
Upper MN Valley (6W)	20,433	20,697	20,478	19,681	19,529	-4
Central MN (7W)	251,451	261,112	271,833	280,553	292,163	16
Southwest (8)	69,666	69,297	68,584	65,590	69,303	-1
Nine (9)	140,468	140,448	145,073	135,713	140,398	0
Southeastern MN (10)	297,877	307,801	313,327	314,049	328,988	10
<b>Total Nonmetro</b>	<b>\$1,507,029</b>	<b>\$1,537,723</b>	<b>\$1,590,223</b>	<b>\$1,588,155</b>	<b>\$1,631,110</b>	<b>8%</b>
<u>Metro Region</u>						
Hennepin County	1,436,127	1,519,920	1,578,540	1,603,185	1,651,575	15
Ramsey County	466,470	496,077	489,873	489,115	495,233	6
Remaining Metro	782,676	828,132	851,432	879,068	901,475	15
<b>Total Metro</b>	<b>\$2,685,273</b>	<b>\$2,844,128</b>	<b>\$2,919,845</b>	<b>\$2,971,368</b>	<b>\$3,048,283</b>	<b>14%</b>

Statewide Sales/Use Tax, Residents and In-State Sellers



# Motor Vehicle Sales Tax

## Program Description

The motor vehicle sales tax is imposed on new and used motor vehicles at the time of sale. It is imposed in lieu of the general state sales tax on the sale price of motor vehicles, minus any trade-in allowance. (A flat tax of \$10 in lieu of the motor vehicle sales tax is imposed upon most low-value motor vehicles that are ten or more years old.)<sup>14</sup> The general sales tax is imposed on the lease of a motor vehicle. Beginning with this update, the motor vehicle sales tax presented in this report includes the general sales tax collected on motor vehicle leases.<sup>15</sup>

The rate of the motor vehicle sales tax is 6.5 percent, which matches the rate of the general state sales tax prior to the 2008 passage of the constitutional amendment that increased the general state sales tax rate to 6.875 percent (with the increase dedicated to outdoor heritage, clean water, parks and trails, and arts and cultural heritage). The increase from the constitutional amendment did not apply to the motor vehicle sales tax. Since motor vehicle leases are subject to the general sales tax, the rate is 6.875 percent.

Motor vehicle sales tax revenue is distributed 60 percent to the Highway User Tax Distribution fund and 40 percent to transit, which is further split 36 percent to Twin Cities metropolitan area transit and 4 percent to transit in greater Minnesota.

In 2015, the first \$32 million under the general sales tax collected on motor vehicle leases went to the general fund, with the balance distributed between the County State-Aid Highway fund and the greater Minnesota transit account. The highway aid section of this report includes distributions of the sales tax on motor vehicle leases in the county highway aid category.

In the 2017 session, the legislature changed the distribution of general sales tax revenue collected on motor vehicle leases. Beginning with fiscal year 2018 collections, revenues will be distributed as follows:

- 38 percent to the Country State-Aid Highway fund;
- 38 percent to the greater Minnesota transit account;
- 13 percent to the Minnesota state transportation fund; and
- 11 percent to the Highway User Tax Distribution fund.

None will go to the state general fund.

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<sup>14</sup> The flat tax in lieu is \$150 for certain collector vehicles and fire trucks.

<sup>15</sup> The data for sales tax on motor vehicle leases is only available on a fiscal year basis. This report allocates collections in fiscal years using 50 percent of the revenue in each of the corresponding calendar years.

## Tax Amount and Reporting

### Calendar Year 2016 Motor Vehicle Sales Tax: \$820.4 million

The total 2016 motor vehicle sales tax is \$820.4 million. In 2016, the motor vehicle sales tax was \$725.8 million, and the general sales tax on motor vehicle leases was \$94.6 million. The Department of Public Safety collects the motor vehicle sales tax. Due to the method of collection, the amount of actual tax liability from each county is not available. The state total is allocated to counties based on two equally weighted factors:

- the number of passenger vehicles and pickup trucks registered in each county, as reported by the Department of Public Safety
- motor vehicle registration tax by county, as estimated by the Department of Public Safety

Vehicle counts serve as a proxy for the residence of vehicle owners, who pay the sales tax. Motor vehicle registration tax estimates serve as a proxy for the value of vehicles purchased.

Motor vehicle sales tax data was obtained from the Department of Transportation.

## Recent Law Changes

The legislature has not made significant changes to the motor vehicle sales tax since 2005.

### 2013-2014 Laws:

A budget and subsequent adjustment in 2013 and 2014 yielded a one-year cap on revenue allocated to counties from the general sales tax on motor vehicle leases.

## The Past Five Years of the Motor Vehicle Sales Tax

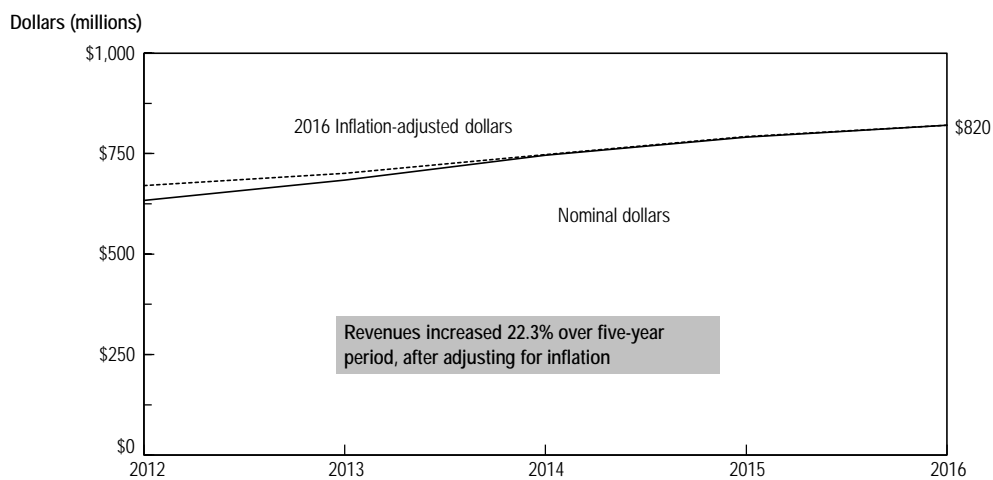
The table below shows the distribution of motor vehicle sales tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of motor vehicle sales tax for that same time period in nominal and constant (inflation-adjusted) dollars.

**Motor Vehicle Sales Tax: Calendar Years 2012 to 2016**  
Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$633,692</b>	<b>\$684,153</b>	<b>\$746,370</b>	<b>\$790,904</b>	<b>\$820,404</b>	<b>29%</b>
<u>Northern Regions</u>						
Northwest (1)	11,797	12,735	13,719	14,414	14,616	24
Headwaters (2)	9,156	9,881	10,728	11,451	11,904	30

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
Arrowhead (3)	38,965	41,718	45,328	47,480	48,959	26
West Central (4)	27,777	29,980	32,515	34,397	35,507	28
Five (5)	20,244	21,729	23,687	25,170	26,163	29
East Central (7E)	19,922	21,417	23,422	24,815	25,692	29
<u>Southern Regions</u>						
Six East (6E)	15,123	16,315	17,685	18,661	19,171	27
Upper MN Valley (6W)	6,529	6,967	7,417	7,773	7,950	22
Central MN (7W)	48,199	52,556	57,598	61,327	64,364	34
Southwest (8)	16,167	17,437	18,735	19,609	20,035	24
Nine (9)	28,784	30,702	33,183	35,014	36,170	26
Southeastern MN (10)	59,363	63,853	69,051	73,002	75,014	26
<b>Total Nonmetro</b>	<b>\$302,027</b>	<b>\$325,290</b>	<b>\$353,068</b>	<b>\$373,114</b>	<b>\$385,545</b>	<b>28%</b>
<u>Metro Region</u>						
Hennepin County	133,307	144,311	158,434	168,276	174,820	31
Ramsey County	52,760	56,849	62,175	66,502	68,755	30
Remaining Metro	145,599	157,704	172,693	183,012	191,284	31
<b>Total Metro</b>	<b>\$331,666</b>	<b>\$358,864</b>	<b>\$393,301</b>	<b>\$417,790</b>	<b>\$434,859</b>	<b>31%</b>

### Statewide Motor Vehicle Sales Tax



House Research Graphics

# Motor Vehicle Registration Tax

## Program Description

The motor vehicle registration tax is imposed annually on each motor vehicle registered in Minnesota. The tax on passenger cars, pickup trucks, and vans is equal to a \$10 flat tax, plus an additional tax based on the vehicle's age and original value. The tax starts at 1.25 percent of the vehicle's original value, and decreases as the vehicle ages to a minimum \$25 flat tax.

The tax on trucks and buses is based upon the type, weight, and age of the vehicle. A minimum tax applies to each type of vehicle. There is also a flat tax on motorcycles and mopeds. The tax is paid when the vehicle is first registered in Minnesota to use the public streets and annually thereafter when it is re-registered.

## Tax Amount and Reporting

### Calendar Year 2016 Motor Vehicle Registration Tax: \$723.5 million

The total motor vehicle registration tax for calendar year 2016 was \$723.5 million. The tax is collected by the Department of Public Safety. The amount of actual tax liability from each county is not available. The statewide total was allocated to counties based on Department of Public Safety estimates of the amount actually remitted from each county. Revenue from this tax is deposited in the Highway User Tax Distribution Fund.

The statewide motor vehicle registration tax amount came from the Department of Revenue.

## Recent Law Changes

The legislature has not made significant changes to the motor vehicle registration tax since 2008.

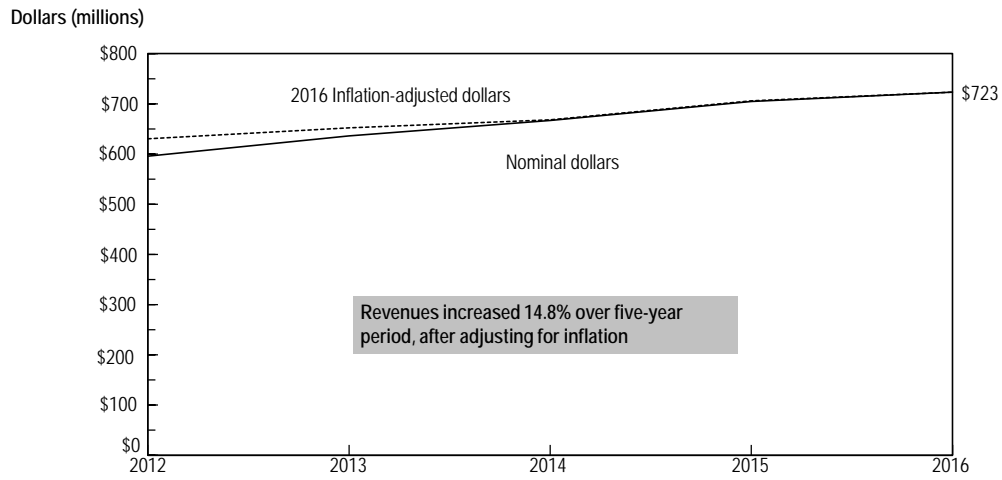
## The Past Five Years of the Motor Vehicle Registration Tax

The table below shows the distribution of the motor vehicle registration tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the motor vehicle registration tax for that same time period in nominal and constant (inflation-adjusted) dollars.

**Motor Vehicle Registration Tax: Calendar Years 2012 to 2016**  
**Nominal dollars, in thousands**

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$595,505</b>	<b>\$636,027</b>	<b>\$666,680</b>	<b>\$704,453</b>	<b>\$723,454</b>	<b>21%</b>
<u>Northern Regions</u>						
Northwest (1)	10,857	11,624	11,957	12,500	12,460	15
Headwaters (2)	7,982	8,515	8,862	9,449	9,676	21
Arrowhead (3)	35,189	37,249	38,817	40,315	41,178	17
West Central (4)	25,217	26,932	27,946	29,361	29,905	19
Five (5)	17,487	18,486	19,339	20,523	21,171	21
East Central (7E)	16,998	18,010	18,963	20,027	20,642	21
<u>Southern Regions</u>						
Six East (6E)	13,752	14,730	15,313	16,064	16,287	18
Upper MN Valley (6W)	6,139	6,490	6,576	6,806	6,878	12
Central MN (7W)	44,446	48,097	50,675	53,949	56,080	26
Southwest (8)	15,025	16,054	16,447	17,031	17,138	14
Nine (9)	26,458	27,861	28,796	30,238	30,816	16
Southeastern MN (10)	54,233	57,629	59,666	62,806	64,957	20
<b>Total Nonmetro</b>	<b>\$273,781</b>	<b>\$291,676</b>	<b>\$303,357</b>	<b>\$319,069</b>	<b>\$327,188</b>	<b>20%</b>
<u>Metro Region</u>						
Hennepin County	131,022	140,451	148,684	157,623	161,531	23
Ramsey County	48,497	51,620	54,235	58,045	59,158	22
Remaining Metro	142,206	152,281	160,403	169,716	175,578	23
<b>Total Metro</b>	<b>\$321,724</b>	<b>\$344,351</b>	<b>\$363,323</b>	<b>\$385,384</b>	<b>\$396,266</b>	<b>23%</b>

## Statewide Motor Vehicle Registration Tax



House Research Graphics



## Motor Fuels Tax (Gas Tax)

### Program Description

The motor fuels tax is imposed on gasoline, diesel fuel, and other motor fuels used in vehicles on public highways. The rate on highway motor fuels including gasoline and diesel<sup>16</sup> is 28.5 cents per gallon. This report does not include the motor fuels tax collected on aviation fuel, which is administered separately from the tax on fuel used in vehicles on public highways.

### Tax Amount and Reporting

#### Calendar Year 2016 Motor Fuels Tax: \$907.4 million

The total net amount after refunds of the motor fuels tax for calendar year 2016 was \$907.4 million. This is the gross amount before distributions (based on motor fuel use attributed to nonhighway use) to snowmobile, motorboat, forest roads, and all-terrain vehicles (ATV) accounts.

The motor fuels tax goes into the Highway User Tax Distribution Fund and is dedicated for highway use. (See page 20 for description of the allocation of the Highway User Tax Distribution Fund.)

Like both the motor vehicle sales tax and the motor vehicle registration tax, the amount of motor fuels tax paid by taxpayers in each county is unknown. For purposes of this report, an estimate was made for each county based on the total number of vehicle miles traveled in each county as a proportion of the total vehicle miles traveled within the state.

The statewide motor fuels tax amount and data on vehicle miles traveled was obtained from the Department of Transportation.

### Recent Law Changes

The 2008 transportation finance act provided for a phased-in increase in the motor fuels tax. The tax increased from 20 cents per gallon on April 1, 2008, phasing in over ensuing years to 28.5 cents per gallon on July 1, 2012 (which includes a 3.5 cents per gallon surcharge tied to trunk highway bonding).

### The Past Five Years of the Motor Fuels Tax

The table shows the distribution of the motor fuels tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the motor fuels tax for that same time period in nominal and constant (inflation-adjusted) dollars.

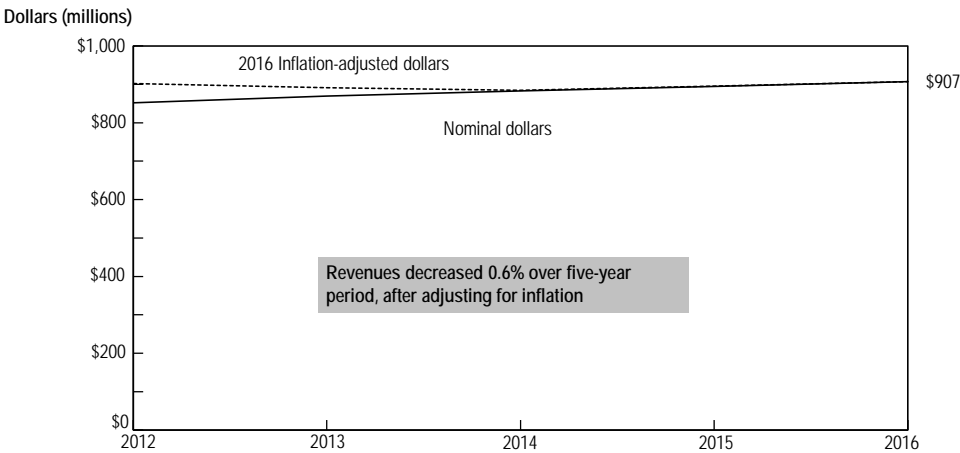
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<sup>16</sup> Alternative fuels, such as liquefied natural gas and high-alcohol gasoline, are taxed at rates proportional to relative energy content.

**Motor Fuels Tax: Calendar Years 2012 to 2016**  
**Nominal dollars, in thousands**

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$852,267</b>	<b>\$869,101</b>	<b>\$882,738</b>	<b>\$894,201</b>	<b>\$907,403</b>	<b>6%</b>
<u>Northern Regions</u>						
Northwest (1)	16,622	17,109	17,164	17,297	17,464	5
Headwaters (2)	13,884	14,172	14,368	14,321	14,301	3
Arrowhead (3)	56,503	57,646	58,421	58,402	58,494	4
West Central (4)	46,642	47,817	48,474	49,119	49,859	7
Five (5)	32,699	33,381	33,617	33,870	34,190	5
East Central (7E)	33,952	34,478	34,835	35,662	36,560	8
<u>Southern Regions</u>						
Six East (6E)	19,979	20,310	20,606	20,662	20,758	4
Upper MN Valley (6W)	9,001	9,264	9,406	9,496	9,605	7
Central MN (7W)	70,408	71,223	72,331	73,746	75,305	7
Southwest (8)	25,255	26,004	26,258	26,348	26,489	5
Nine (9)	39,343	40,163	40,414	40,592	40,848	4
Southeastern MN (10)	85,226	87,760	88,864	89,973	91,258	7
<b>Total Nonmetro</b>	<b>\$449,513</b>	<b>\$459,328</b>	<b>\$464,756</b>	<b>\$469,488</b>	<b>\$475,131</b>	<b>6%</b>
<u>Metro Region</u>						
Hennepin County	167,434	169,819	172,839	175,020	177,542	6
Ramsey County	67,950	68,940	69,031	69,935	70,976	4
Remaining Metro	167,369	171,014	176,112	179,757	183,755	10
<b>Total Metro</b>	<b>\$402,753</b>	<b>\$409,773</b>	<b>\$417,982</b>	<b>\$424,713</b>	<b>\$432,272</b>	<b>7%</b>

Statewide Motor Fuels Tax



House Research Graphics

# Corporate Franchise (Income) Tax

## Program Description

Corporate franchise (income) tax is imposed on the net income of corporations. The rate of the tax is 9.8 percent. The tax base is federal taxable income with a variety of Minnesota adjustments. Corporations that do business both inside and outside of Minnesota apportion their income based on the percentage of their sales that are made to purchasers in Minnesota. Prior to 2007, companies apportioned income using a three-factor formula based on the share of the corporation's total property, payroll, and sales that were in Minnesota. Beginning in 2007, the formula gradually phased in 100 percent sales apportionment, reaching that percentage in 2014.

An alternative minimum tax (AMT) applies to federal alternative minimum taxable income, if it would result in a higher tax than the regular corporate franchise tax. This tax rate is 5.8 percent. A minimum fee is imposed on corporations (including S corporations) and partnerships in addition to the regular tax or the AMT. For tax year 2016, the minimum fee ranged from \$200 to \$9,690, depending upon the corporation's sales, property, and payroll in Minnesota. The fees are indexed annually for inflation.

## Tax Amount and Reporting

### 2016 Corporate Income Tax: \$1,170.3 million

The amount presented in this report was tabulated from all Minnesota corporate income tax returns filed during the calendar year ending December 31, 2016. (Most returns filed in 2016 were for calendar year 2015, but the total also includes some calendar year 2014 returns.) The total statewide amount of \$1,170.3 million includes taxes collected from corporations whose main offices are in other states and foreign countries. It does not include any taxes or minimum fees paid by S corporations or partnerships.

The corporate income tax data was obtained from the Department of Revenue. The location of each corporation's home office is not available. Instead, each county's total sales, reported in the U.S. Census Bureau's Survey of Business Owners, are used as an indicator of the source or location of the corporate tax.

The 2012 to 2016 state total of corporate tax was allocated using the Census Bureau's 2012 Survey, with the 2013 to 2016 data adjusted for the change in gross sales from year to year.

In addition to the total dollar amount of corporate tax shown by region and by county in section 2 and online, the tables below summarize statewide data by unitary/nonunitary and by type of corporation/return.

By Unitary/Nonunitary Returns<sup>17</sup>

Returns Filed in 2016	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
Unitary Returns	31,500	52.5%	\$1,034,232,444	88.4%	\$32,883
Nonunitary Returns	<u>28,518</u>	<u>47.5</u>	<u>136,105,001</u>	<u>11.6</u>	<u>4,773</u>
<b>Total</b>	<b>\$60,018</b>	<b>100.0%</b>	<b>\$1,170,337,445</b>	<b>100.0%</b>	<b>\$19,500</b>

## By Type of Return

Returns Filed in 2016	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
100% Minnesota Corporations					
Regular Tax	5,496	9.2%	\$46,042,210	3.9%	\$8,377
Minimum Tax	3,477	5.8	3,001,054	0.3	863
No Tax	<u>6,349</u>	<u>10.6</u>	<u>0</u>	<u>0.0</u>	<u>0</u>
<b>Total</b>	<b>15,322</b>	<b>25.5%</b>	<b>\$49,043,264</b>	<b>4.2%</b>	<b>\$3,201</b>
Multistate Corporations					
Regular Tax	14,303	23.8%	\$1,100,562,818	94.0%	\$76,946
Minimum Tax	6,540	10.9	20,731,363	1.8	3,170
No Tax	<u>23,853</u>	<u>39.7</u>	<u>0</u>	<u>0.0</u>	<u>0</u>
<b>Total</b>	<b>44,696</b>	<b>74.5%</b>	<b>\$1,121,294,181</b>	<b>95.8%</b>	<b>\$25,087</b>
All corporations					
Regular Tax	19,799	33.0%	\$1,146,605,028	98.0%	\$57,912
Minimum Tax	10,017	16.7	23,732,417	2.0	2,369
No Tax	<u>30,202</u>	<u>50.3</u>	<u>0</u>	<u>0.0</u>	<u>0</u>
<b>Total</b>	<b>60,018</b>	<b>100.0%</b>	<b>\$1,170,337,445</b>	<b>100.0%</b>	<b>\$19,500</b>

<sup>17</sup> Related corporations, such as subsidiary, brother-sister, and parent corporations, must file on a unitary basis. For these corporations, the denominator of the three-factor apportionment formula (property, payroll, and sales) includes the factors of all the corporations in the unitary group. The numerator is the factors of the individual corporation, and the taxable income apportioned is the total income of the unitary group.

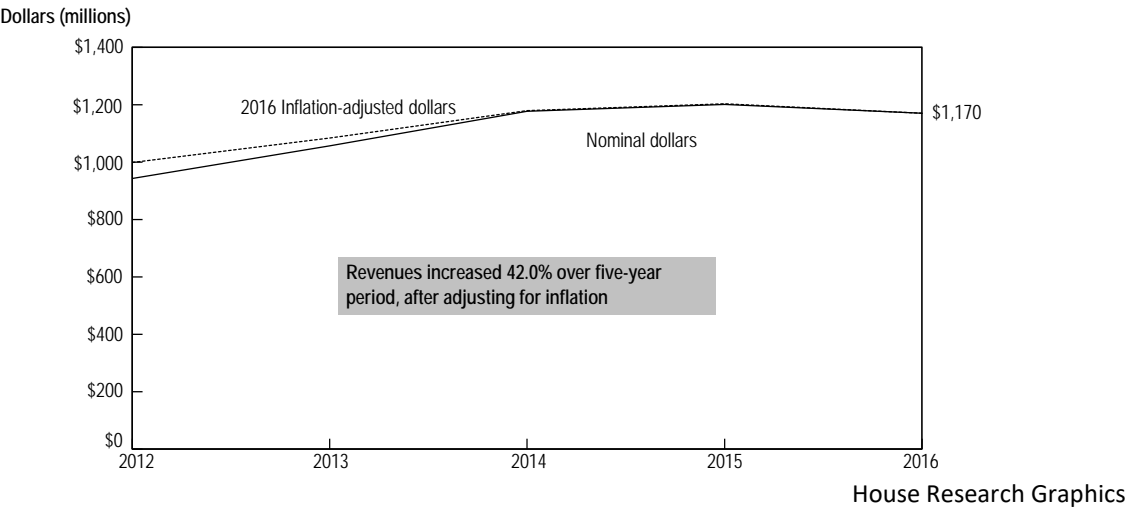
## The Past Five Years of Corporate Franchise Tax

The table below shows the distribution of the corporate franchise tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the corporate franchise tax for that same time period in nominal and constant (inflation-adjusted) dollars.

### Corporate Franchise Tax: Filed Calendar Years 2012 to 2016 Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$943,323</b>	<b>\$1,057,094</b>	<b>\$1,177,057</b>	<b>\$1,201,344</b>	<b>\$1,170,337</b>	<b>24%</b>
<u>Northern Regions</u>						
Northwest (1)	14,762	16,914	17,710	15,937	14,666	-1
Headwaters (2)	5,803	6,978	7,956	7,996	7,737	33
Arrowhead (3)	33,135	36,747	41,307	40,322	38,275	16
West Central (4)	23,638	27,543	28,863	28,473	26,707	13
Five (5)	12,819	13,891	15,906	16,855	16,251	27
East Central (7E)	9,347	10,864	11,984	12,405	12,001	28
<u>Southern Regions</u>						
Six East (6E)	16,231	18,101	19,930	19,074	18,821	16
Upper MN Valley (6W)	7,682	7,945	7,804	7,524	7,249	-6
Central MN (7W)	41,363	45,793	51,446	53,063	51,732	25
Southwest (8)	21,989	23,920	25,514	23,117	22,006	0
Nine (9)	34,412	37,158	39,378	39,036	37,503	9
Southeastern MN (10)	60,261	66,615	71,138	72,852	69,245	15
<b>Total Nonmetro</b>	<b>\$281,443</b>	<b>\$312,467</b>	<b>\$338,935</b>	<b>\$336,653</b>	<b>\$322,194</b>	<b>14%</b>
<u>Metro Region</u>						
Hennepin County	391,961	439,128	497,518	508,676	494,795	26
Ramsey County	82,262	92,728	102,274	109,412	107,398	31
Remaining Metro	187,657	212,771	238,330	246,604	245,950	31
<b>Total Metro</b>	<b>\$661,880</b>	<b>\$744,627</b>	<b>\$838,122</b>	<b>\$864,691</b>	<b>\$848,144</b>	<b>28%</b>

Statewide Corporate Franchise Tax



# State General Levy

## Program Description

A state general property tax levy was instituted as part of the overall property tax reform adopted during the 2001 legislative session. Ninety-five percent of the state general levy is levied on commercial/industrial property (including public utility property), and the remaining 5 percent is levied on seasonal recreational property. That portion of public utility property consisting of attached machinery used in the generation of electrical energy is exempt from the state general levy, as is the property at the Minneapolis-St. Paul International Airport and the St. Paul intermediate airport.

For its first year in taxes payable 2002, the state general levy was \$592 million. Each subsequent year's levy is increased from the previous year's levy by the increase in the implicit price deflator for government consumption expenditures and gross investments published by the U.S. Bureau of Economic Analysis (an index of inflation).<sup>18</sup>

## Tax Amount and Reporting

### **Payable Year 2016 State General Levy: \$862.5 million**

The total state general levy for taxes payable in 2016 was \$862.5 million.

For taxes payable in 2016, the state tax rate was 48.641 percent for commercial-industrial/public utility property and 21.167 percent for seasonal recreational property, which provides revenues of \$819.6 million and \$42.8 million respectively.<sup>19</sup>

The tax rates are computed by the Department of Revenue.

## Recent Law Changes

The 2017 Legislature exempted the first \$100,000 of each commercial-industrial property's value from the state general levy beginning with taxes payable in 2018, and made a corresponding reduction in the amount of the levy so that the burden would not be shifted to other commercial-industrial properties. It also froze the levy amounts for both commercial-industrial property and seasonal recreational property for future years, beginning with taxes payable in 2019.

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<sup>18</sup> The historical graphs throughout this report adjust for inflation using the implicit price deflator for state and local government expenditures, as published by the U.S. Bureau of Economic Analysis, a slightly different measure than the general government expenditure index used to adjust the state general levy amount. Use of a different measure explains why the inflation-adjusted line in the graph on page 96 is not a flat line.

<sup>19</sup> In addition to the amount formally levied, an additional amount of approximately \$3.0 million is collected from properties that are not included in the abstract of assessment, primarily certain transmission and distribution line property. This amount is not included in this report because its distribution is unknown.



The 2019 Legislature reduced the state general levy by a total of \$50 million. The commercial/industrial portion of the levy was reduced by \$47.5 million and the seasonal recreational portion of the levy was reduced by \$2.5 million.

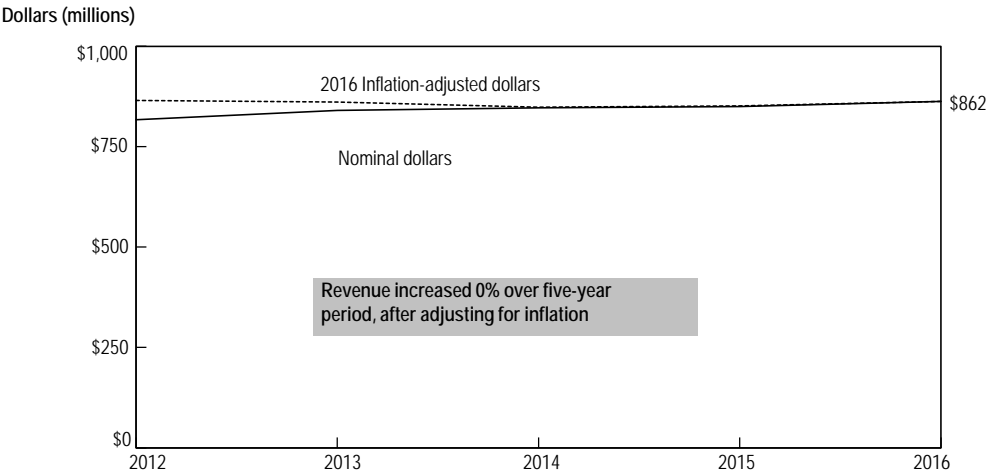
## The Last Five Years of State General Levy

The table below shows the distribution of the state general levy in thousands of dollars for the last five years for the state and economic development regions. The graph shows total dollars of the state general levy for that same time period in nominal and constant (inflation-adjusted) dollars.

**State General Levy: Payable 2012 to 2016**  
Nominal dollars, in thousands

	2012	2013	2014	2015	2016	5-Yr. Chg. Tax
<b>State</b>	<b>\$817,361</b>	<b>\$839,944</b>	<b>\$846,726</b>	<b>\$849,634</b>	<b>\$862,457</b>	<b>6%</b>
<u>Northern Regions</u>						
Northwest (1)	10,392	11,345	11,297	11,853	12,931	24
Headwaters (2)	12,544	13,397	13,891	13,769	14,248	14
Arrowhead (3)	44,077	46,320	47,409	47,404	48,283	10
West Central (4)	27,764	28,963	30,088	30,821	32,556	17
Five (5)	29,725	30,446	30,716	30,161	29,630	0
East Central (7E)	12,339	12,313	12,202	11,858	11,370	-8
<u>Southern Regions</u>						
Six East (6E)	11,679	12,429	12,936	13,146	13,010	11
Upper MN Valley (6W)	4,033	4,373	4,533	4,682	4,831	20
Central MN (7W)	50,430	52,244	52,079	51,192	50,658	0
Southwest (8)	11,683	13,244	14,161	14,903	15,725	35
Nine (9)	23,663	25,024	25,718	26,398	27,399	16
Southeastern MN (10)	53,838	56,095	57,802	59,233	60,453	12
<b>Total Nonmetro</b>	<b>\$292,166</b>	<b>\$306,193</b>	<b>\$312,833</b>	<b>\$315,419</b>	<b>\$321,094</b>	<b>10%</b>
<u>Metro Region</u>						
Hennepin County	266,033	275,099	277,672	280,370	291,614	10
Ramsey County	91,306	91,157	89,999	87,404	85,153	-7
Remaining Metro	167,856	167,494	166,222	166,440	164,596	-2
<b>Total Metro</b>	<b>\$525,194</b>	<b>\$533,751</b>	<b>\$533,894</b>	<b>\$534,214</b>	<b>\$541,363</b>	<b>3%</b>

Statewide State General Levy



House Research Graphics

## Section 2: Summary Data

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This section contains summary data for the most recent available year on

- statewide totals
- the seven-county metro and the 80 nonmetro counties

### General Explanation of Tables

The basic format is the same for all the regional and county tables on our interactive online tool.

**I. MAJOR STATE AIDS/CREDITS.** Although all of the aids/credits listed are paid by the state, there are three types of aids/credits.

**A. Aids to Local Governments**

- Are paid to or for the benefit of the local taxing district
- Are paid on behalf of individuals in the county (MinnesotaCare)
- Reduce what is needed from the property tax levy

**B. Property Tax Credits**

- Are paid to the local taxing district, but are listed on the property tax statement as a credit against the property's gross tax
- Benefit only certain types of property
- Are computed on a parcel-by-parcel basis on qualifying property

**C. Property Tax Refunds (Circuit Breaker/Targeting)**

- Are paid directly to homeowners and renters (property tax refund)
- Are based upon a relationship between household income and the homeowner's property tax or the renter's share of property tax (property tax refund)
- Are targeted to homeowners who have large property tax increases in one year (targeting)

**II. PROPERTY TAX DATA**

**Property Tax Levy** for taxes payable in 2015 by type of taxing district, (including the state property tax levy), as well as property taxes payable, net of credits.

**III. MAJOR STATE TAXES**

- Individual income tax
- Sales/use tax
- Motor vehicle sales tax
- Motor vehicle registration tax
- Motor fuels tax (i.e., gas tax)

- Corporate income tax
- State general property tax

The motor vehicle sales tax, the motor vehicle registration tax, the motor fuels tax, and the corporate income tax have been included in this report on a county-by-county basis. However, the county amounts are estimates since actual collections by county are not available. (See the sections for each of the apportioned taxes for detail on the county apportionment calculations.)

## Statewide Summary

**Tables 2-1 and 2-2** contain the statewide totals of all the state aids and taxes presented in this report. Table 2-1 summarizes the total amounts for Minnesota residents only; Table 2-2 also includes income and sales taxes paid by nonresidents.

2016 population is used to calculate per capita amounts in the tables and maps throughout the report.

The total state aids and credits contained in this report equal about \$16.1 billion, whereas the total of the seven major taxes listed in this report equal \$18.5 billion paid by residents and an additional \$1.53 billion paid by nonresidents (for a total tax amount of \$20.1 billion).

The total taxes presented in this report **are not the total of all taxes collected by the state**. The total state net tax receipts were about \$23.1 billion in fiscal year 2015 and \$23.7 billion in fiscal year 2016. Furthermore, the taxes presented in this report are not for a specific time period but rather are the latest available data and/or the next data in sequence to the 2015 Update report (published December 2018). Therefore, the \$20.1 billion total taxes listed in this report (residents and nonresidents) is about 86 percent of the total taxes actually collected over that period.

The taxes not contained in this report include estate, mortgage registry and deed, insurance gross premiums, MinnesotaCare, mineral, cigarette and tobacco products, lawful gambling, and alcoholic beverages. The collections from some of these taxes are dedicated for specific purposes, and amounts are not available by county.

**Table 2-1: Statewide Summary – Residents Only**

Aids to Local Governments	Amount (\$1,000)	Percent	Amount Per Capita
Education Aid	8,190,071	50.9%	1,481
Human Services Aid			
Medical Assistance	4,139,702	25.7%	749
MN Family Investment Program	79,006	0.5%	14
General Assistance	49,058	0.3%	9
MinnesotaCare	7,834	0.0%	1
Social Services	1,734,850	10.8%	314
Misc Human Services Aid	195,178	1.2%	35
Total Human Services and Health Care Aids	6,205,627	38.6%	1,122
Highway Aids			
County Highway Aid	630,891	3.9%	114
City Highway Aid	194,085	1.2%	35
Town Highway Aid	42,653	0.3%	8

<b>Aids to Local Governments</b>	<b>Amount (\$1,000)</b>	<b>Percent</b>	<b>Amount Per Capita</b>
Total Highway Aid	867,629	5.4%	157
Other Aids			
Local Government Aid (LGA)	519,398	3.2%	94
Disparity Reduction Aid (DRA)	18,062	0.1%	3
County Program Aid	208,563	1.3%	38
Community Corrections Funding	86,905	0.5%	16
<b>Total Aids</b>	<b>16,096,255</b>	<b>100.0%</b>	<b>2,911</b>

#### Property Tax Credits

Ag Market Value Credit	38,528	56.1%	7
Misc Prop Tax Credits	13,694	19.9%	2
<b>Total Credits</b>	<b>68,703</b>	<b>100.0%</b>	<b>12</b>

#### Property Tax Refunds

Homeowner PTR	390,871	64.5%	71
Renter PTR	208,534	34.4%	38
Targeting PTR	6,533	1.1%	1
<b>Total Property Tax Refund</b>	<b>605,938</b>	<b>100.0%</b>	<b>110</b>

#### Property Tax Data (Payable 2016)

County Levy	2,731,217	29.2%	494
City/Town Levy	2,188,695	23.4%	396
School NTC Levy	1,515,440	16.2%	274
School RMV Levy	929,484	9.9%	168
Miscellaneous District Levy	1,128,373	12.1%	204
State Levy	862,457	9.2%	156
<b>Total Levy</b>	<b>9,355,666</b>	<b>100.0%</b>	<b>1,692</b>
– Property Tax Credits	<b>68,703</b>		<b>12</b>
<b>Net Prop Tax Payable</b>	<b>9,286,963</b>		<b>1,680</b>

#### Major State Taxes

Individual Income Tax (2015 filed 2016)	9,371,724	50.6%	1,695
Sales/Use Tax (Calendar 2016)	4,679,392	25.2%	846

<b>Aids to Local Governments</b>	<b>Amount (\$1,000)</b>	<b>Percent</b>	<b>Amount Per Capita</b>
Motor Vehicle Sales Tax (Calendar 2016)	820,404	4.4%	148
Motor Vehicle Registration Tax (Calendar 2016)	723,454	3.9%	131
Gas Tax (Calendar 2016)	907,403	4.9%	164
Corp Income Tax (Calendar 2016)	1,170,337	6.3%	212
State Prop Tax (Payable 2016)	862,457	4.7%	156
<b>Total Taxes</b>	<b>18,535,172</b>	<b>100.0%</b>	<b>3,353</b>

**Table 2-2: Statewide Summary – Includes Nonresidents**

<b>Aids to Local Governments</b>	<b>Amount (\$1,000)</b>	<b>Percent</b>	<b>Amount Per Capita</b>
Education Aid	8,190,071	50.9%	1,481
Human Services Aid			
Medical Assistance	4,139,702	25.7%	749
MN Family Investment Program	79,006	0.5%	14
General Assistance	49,058	0.3%	9
MinnesotaCare	7,834	0.0%	1
Social Services	1,734,850	10.8%	314
Misc Human Services Aid	195,178	1.2%	35
Total Human Services and Health Care Aids	6,205,627	38.6%	1,122
Highway Aids			
County Highway Aid	630,891	3.9%	114
City Highway Aid	194,085	1.2%	35
Town Highway Aid	42,653	0.3%	8
Total Highway Aid	867,629	5.4%	157
Other Aids			
Local Government Aid (LGA)	519,398	3.2%	94
Disparity Reduction Aid (DRA)	18,062	0.1%	3
County Program Aid	208,563	1.3%	38
Community Corrections Funding	86,905	0.5%	16
<b>Total Aids</b>	<b>16,096,255</b>	<b>100.0%</b>	<b>2,911</b>

**Property Tax Credits**

Ag Market Value Credit	38,528	56.1%	7
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<b>Aids to Local Governments</b>	<b>Amount (\$1,000)</b>	<b>Percent</b>	<b>Amount Per Capita</b>
Misc Prop Tax Credits	13,694	19.9%	2
<b>Total Credits</b>	<b>68,703</b>	<b>100.0%</b>	<b>12</b>
<b>Property Tax Refunds</b>			
Homeowner PTR	390,871	64.5%	71
Renter PTR	208,534	34.4%	38
Targeting PTR	6,533	1.1%	1
<b>Total Property Tax Refund</b>	<b>605,938</b>	<b>100.0%</b>	<b>110</b>
<b>Property Tax Data (Payable 2016)</b>			
County Levy	2,731,217	29.2%	494
City/Town Levy	2,188,695	23.4%	396
School NTC Levy	1,515,440	16.2%	274
School RMV Levy	929,484	9.9%	168
Miscellaneous District Levy	1,128,373	12.1%	204
State Levy	862,457	9.2%	156
<b>Total Levy</b>	<b>9,355,666</b>	<b>100.0%</b>	<b>1,692</b>
<b>– Property Tax Credits</b>	<b>68,703</b>		<b>12</b>
<b>Net Prop Tax Payable</b>	<b>9,286,963</b>		<b>1,680</b>
<b>Major State Taxes</b>			
Individual Income Tax (2015 filed 2016)	9,941,265	49.5%	1,798
Sales/Use Tax (Calendar 2016)	5,642,952	28.1%	1,021
Motor Vehicle Sales Tax (Calendar 2016)	820,404	4.1%	148
Motor Vehicle Reg Tax (Calendar 2016)	723,454	3.6%	131
Gas Tax (Calendar 2016)	907,403	4.5%	164
Corp Income Tax (Calendar 2016)	1,170,337	5.8%	212
State Prop Tax (Payable 2016)	862,457	4.3%	156
<b>Total Taxes</b>	<b>20,068,273</b>	<b>100.0%</b>	<b>3,630</b>



## Metro/Nonmetro Data

**Tables 2-3 and 2-4** contain data comparing the metro and nonmetro counties. The metro counties are the Twin Cities seven metropolitan counties—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The nonmetro counties are the remaining 80 counties in the state.

Table 2-3 has the metro and nonmetro dollar amounts of aids and taxes and a per capita comparison.

Table 2-4 presents a statewide breakdown of metro versus nonmetro for each of the categories. Each item adds across to 100 percent; for example 56.4 percent of the education aid goes to metro counties and 43.6 percent goes to nonmetro counties.

2016 population is used to calculate per capita amounts in the tables and maps throughout this report.

Note: The metro and nonmetro totals add to the state totals in Table 2-1, which include only Minnesota residents.

The additional amounts paid by out-of-state taxpayers have not been allocated to any county. The amount of sales and income taxes which is unallocated to Minnesota is about \$1.5 billion. Appendix B has a list of the type of tax and amounts not entirely allocated to Minnesota counties.

**Table 2-3: Seven-county Metro and Greater Minnesota, Aids and Taxes**

Aids to Local Governments	Seven-County Metro			Greater Minnesota		
	Amount (\$1,000)	Percent	Amount Per Capita	Amount (\$1,000)	Percent	Amount Per Capita
Education Aid	4,617,513	53.2%	1,518	3,572,558	48.2%	1,436
Human Services Aid						
Medical Assistance	2,275,921	26.2%	748	1,863,782	25.2%	749
MN Family Investment Program	49,787	0.6%	16	29,219	0.4%	12
General Assistance	33,816	0.4%	11	15,242	0.2%	6
MinnesotaCare	6,485	0.1%	2	1,331	0.0%	1
Social Services	931,680	10.7%	306	803,171	10.8%	323
Misc Human Services Aid	133,172	1.5%	44	62,006	0.8%	25
Total Human Services and Health Care Aids	3,430,860	39.5%	1,128	2,774,749	37.4%	1,116
Highway Aids						

	Seven-County Metro			Greater Minnesota		
County Highway Aid	181,727	2.1%	60	449,164	6.1%	181
City Highway Aid	132,331	1.5%	44	61,754	0.8%	25
Town Highway Aid	1,226	0.0%	0	41,427	0.6%	17
Total Highway Aid	315,284	3.6%	104	552,345	7.5%	222
Other Aids						
Local Government Aid (LGA)	178,815	2.1%	59	340,583	4.6%	137
Disparity Reduction Aid (DRA)	1,365	0.0%	0	16,697	0.2%	7
County Program Aid	99,034	1.1%	33	109,529	1.5%	44
Community Corrections Funding	42,982	0.5%	14	43,922	0.6%	18
<b>Total Aids</b>	<b>8,685,854</b>	<b>100.0%</b>	<b>2,856</b>	<b>7,410,401</b>	<b>100.0%</b>	<b>2,980</b>
<b>Property Tax Credits</b>						
Ag Market Value Credit	2,020	62.8%	1	36,508	55.7%	15
Misc Prop Tax Credits	1,196	37.2%	0	12,498	19.1%	5
<b>Total Credits</b>	<b>3,216</b>	<b>100.0%</b>	<b>1</b>	<b>65,487</b>	<b>100.0%</b>	<b>26</b>
<b>Property Tax Refunds</b>						
Homeowner PTR	268,530	64.5%	88	122,341	64.6%	49
Renter PTR	144,135	34.6%	47	64,399	34.0%	26
Targeting PTR	3,844	0.9%	1	2,690	1.4%	1
<b>Total Property Tax Refund</b>	<b>416,509</b>	<b>100.0%</b>	<b>137</b>	<b>189,429</b>	<b>100.0%</b>	<b>76</b>
<b>Property Tax Data (Payable 2016)</b>						
County Levy	1,309,598	22.9%	431	1,421,618	39.1%	572
City/Town Levy	1,318,933	23.0%	434	869,761	23.9%	350
School NTC Levy	889,611	15.5%	292	625,830	17.2%	252
School RMV Levy	641,428	11.2%	211	288,056	7.9%	116
Miscellaneous District Levy	1,022,269	17.9%	336	106,104	2.9%	43
State Levy	541,363	9.5%	178	321,094	8.8%	129
<b>Total Levy</b>	<b>5,723,203</b>	<b>100.0%</b>	<b>1,882</b>	<b>3,632,463</b>	<b>100.0%</b>	<b>1,461</b>
<b>– Property Tax Credits</b>	<b>3,216</b>		<b>1</b>	<b>65,487</b>		<b>26</b>

	Seven-County Metro			Greater Minnesota		
<b>Net Prop Tax Payable</b>	<b>5,719,986</b>		<b>1,881</b>	<b>3,566,977</b>		<b>1,434</b>
<b>Major State Taxes</b>						
Individual Income Tax (2015 filed 2016)	6,452,599	53.1%	2,122	2,919,125	45.7%	1,174
Sales/Use Tax (Calendar 2016)	3,048,283	25.1%	1,002	1,631,110	25.6%	656
Mtr Vehicle Sales Tax (Calendar 2016)	434,859	3.6%	143	385,545	6.0%	155
Mtr Vehicle Reg Tax (Calendar 2016)	396,266	3.3%	130	327,188	5.1%	132
Gas Tax (Calendar 2016)	432,272	3.6%	142	475,131	7.4%	191
Corp Income Tax (Calendar 2016)	848,144	7.0%	279	322,194	5.0%	130
State Prop Tax (Payable 2016)	541,363	4.5%	178	321,094	5.0%	129
<b>Total Taxes</b>	<b>12,153,786</b>	<b>100.0%</b>	<b>3,996</b>	<b>6,381,386</b>	<b>100.0%</b>	<b>2,566</b>

**Table 2-4: Seven-county Metro and Greater Minnesota, Share of Aids and Taxes**

	Seven-County Metro		Greater Minnesota	
<b>Aids to Local Governments</b>	<b>Amount (\$1,000)</b>	<b>Share of Total</b>	<b>Amount (\$1,000)</b>	<b>Share of Total</b>
Education Aid	4,617,513	56.4%	3,572,558	43.6%
Human Services Aid				
Medical Assistance	2,275,921	55.0%	1,863,782	45.0%
MN Family Investment Program	49,787	63.0%	29,219	37.0%
General Assistance	33,816	68.9%	15,242	31.1%
MinnesotaCare	6,485	83.0%	1,331	17.0%
Social Services	931,680	53.7%	803,171	46.3%
Misc Human Services Aid	133,172	68.2%	62,006	31.8%
Total Human Services and Health Care Aids	3,430,860	55.3%	2,774,749	44.7%
Highway Aids				
County Highway Aid	181,727	28.8%	449,164	71.2%
City Highway Aid	132,331	68.2%	61,754	31.8%

	Seven-County Metro		Greater Minnesota	
Town Highway Aid	1,226	2.9%	41,427	97.1%
Total Highway Aid	315,284	36.3%	552,345	63.7%
Other Aids				
Local Government Aid (LGA)	178,815	34.4%	340,583	65.6%
Disparity Reduction Aid (DRA)	1,365	7.6%	16,697	92.4%
County Program Aid	99,034	47.5%	109,529	52.5%
Community Corrections Funding	42,982	49.5%	43,922	50.5%
<b>Total Aids</b>	<b>8,685,854</b>	<b>54.0%</b>	<b>7,410,401</b>	<b>46.0%</b>
<b>Property Tax Credits</b>				
Ag Market Value Credit	2,020	5.2%	36,508	94.8%
Misc Prop Tax Credits	1,196	8.7%	12,498	91.3%
<b>Total Credits</b>	<b>3,216</b>	<b>4.7%</b>	<b>65,487</b>	<b>95.3%</b>
<b>Property Tax Refunds</b>				
Homeowner PTR	268,530	68.7%	122,341	31.3%
Renter PTR	144,135	69.1%	64,399	30.9%
Targeting PTR	3,844	58.8%	2,690	41.2%
<b>Total Property Tax Refund</b>	<b>416,509</b>	<b>68.7%</b>	<b>189,429</b>	<b>31.3%</b>
<b>Property Tax Data (Payable 2016)</b>				
County Levy	1,309,598	47.9%	1,421,618	52.1%
City/Town Levy	1,318,933	60.3%	869,761	39.7%
School NTC Levy	889,611	58.7%	625,830	41.3%
School RMV Levy	641,428	69.0%	288,056	31.0%
Miscellaneous District Levy	1,022,269	90.6%	106,104	9.4%
State Levy	541,363	62.8%	321,094	37.2%
<b>Total Levy</b>	<b>5,723,203</b>	<b>61.2%</b>	<b>3,632,463</b>	<b>38.8%</b>
– Property Tax Credits	<b>3,216</b>		<b>65,487</b>	
<b>Net Prop Tax Payable</b>	<b>5,719,986</b>		<b>3,566,977</b>	
<b>Major State Taxes</b>				
Individual Income Tax (2015 filed 2016)	6,452,599	68.9%	2,919,125	31.1%

	Seven-County Metro		Greater Minnesota	
Sales/Use Tax (Calendar 2016)	3,048,283	65.1%	1,631,110	34.9%
Mtr Vehicle Sales Tax (Calendar 2016)	434,859	53.0%	385,545	47.0%
Mtr Vehicle Reg Tax (Calendar 2016)	396,266	54.8%	327,188	45.2%
Gas Tax (Calendar 2016)	432,272	47.6%	475,131	52.4%
Corp Income Tax (Calendar 2016)	848,144	72.5%	322,194	27.5%
State Prop Tax (Payable 2016)	541,363	62.8%	321,094	37.2%
<b>Total Taxes</b>	<b>12,153,786</b>	<b>65.6%</b>	<b>6,381,386</b>	<b>34.4%</b>