

What is the gravel tax?

The gravel tax, also known as the aggregate materials tax, is a tax on the production or import of aggregate materials. Aggregate materials include, among other things, sand, gravel, and crushed rock, as well as taconite tailings and architectural or dimension stone removed from a taconite mine (or the site of a former taconite mine).

Who imposes the gravel tax?

Any county can impose the gravel tax, as can certain towns in St. Louis and Otter Tail Counties. If either of those counties elects to impose the tax, the towns within that county can no longer impose the tax. In 2024, 36 counties collected gravel tax revenue. For the past decade, Solway Township in St. Louis County has been the only town to generate revenue from a gravel tax. For that reason, this publication focuses on county administration of the tax.

How is the tax administered?

Importers and producers of aggregate materials must report the amounts of their imports and production to the county auditor on a quarterly basis. Tax payments on those amounts are due with the report. If the county auditor does not receive the report and payment on time, the auditor must estimate the amount of tax due and notify the taxpayer by mail. Civil penalties apply for late reporting and late tax payments, and criminal liability may apply for failure to pay the tax.

What is the rate of the tax?

The tax on the production or import of aggregate materials is imposed at a rate of 21.5 cents per cubic yard or 15 cents per ton of aggregate material that is either removed from its extraction site or sold. State law previously allowed certain border counties to impose a lower rate, but that authority expired at the end of 2024.

How much revenue does the tax generate?

In 2024, gravel taxes generated \$7,177,214 in revenue statewide, according to data from the Minnesota Department of Revenue. Individual local governments' gravel tax revenues ranged from a low of \$5,826 for Wilkin County to a high of \$1,148,828 for Dakota County.

How are gravel tax proceeds apportioned and distributed? What can gravel tax proceeds be used for?

The uses of gravel tax proceeds depend primarily on whether the proceeds came from aggregate materials removed from a former or current taconite mine. Proceeds on the taxation of aggregate materials removed from a former or current taconite mine must be remitted to the commissioner of Iron Range resources and rehabilitation to be deposited in the taconite area environmental protection fund for uses consistent with the purposes of that fund.

For gravel tax proceeds on any other aggregate materials, the county auditor may retain up to 5 percent of the revenues as an administrative fee. Eighty-five percent of the remaining funds are dedicated for maintenance, construction, and reconstruction of roads, highways, and bridges. If the mine is located

within a city or town, then funds for roads, highways, and bridges are split evenly between the county and the city or town where the mine is located; if not, the county retains all the funds for those purposes. The remaining 15 percent of the revenues are used within the county either for restoring mining-impacted land or for other conservation or environmental purposes.

If the extracted aggregate material is transported from the extraction site to another Minnesota county by waterway, railway, or otherwise without use of a highway, road, or street, then the proceeds from the tax must be split evenly between the county containing the extraction site and the county receiving the transported aggregate material.



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