

Local Option Transportation Funding In Minnesota



An Examination of the Local Option Wheelage Tax,
Sales Tax, Vehicle Excise Tax, and Aggregate Materials Tax

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Wheelage Tax

Background

The wheelage tax is a minimum \$10 tax that is levied by the county board of commissioners on vehicles kept in their county when not in operation and that are subject to annual registration and taxation under Chapter 168. The wheelage tax was first authorized by the legislature in 1972 for counties in the Twin Cities metropolitan area at a rate of \$5 per vehicle. The authority to use this tax was not initially widely embraced because the law required a reduction in the general property tax levy equivalent to the revenue generated by the wheelage tax. Over the years, transportation advocates including the Minnesota Transportation Alliance have advocated for changes to the law that would expand the authority to levy the tax beyond the metro area counties and to repeal the requirement of a corresponding reduction in the general property tax levy. In 2008, the legislature repealed the provision requiring an offsetting reduction in the property tax levy, and by 2013, five of the seven metro area counties had adopted the \$5 per vehicle wheelage tax.

In subsequent years, the Transportation Alliance and other transportation advocates continued to push for expansion of the authority to all 87 counties and a change in the rate to allow the tax to be imposed by counties at a rate up to \$20 per vehicle. During the 2013 legislative session, the Transportation Alliance worked with state lawmakers to introduce a transportation funding bill (SF891/HF931) that would provide additional revenue for highways and transit. A provision in the bill included the expansion of the wheelage tax authority to all 87 counties up to \$20 per vehicle. That provision passed in the final Transportation Appropriations bill of 2013 (Chapter 117; Article 3, section 4).

Minnesota's Constitution allows wheelage taxes to be imposed by political subdivisions solely for highway purposes. These dollars may not be used for transit or other purposes.

Current Law Provisions

- Tax revenue generated by the wheelage tax must be deposited in the county road and bridge fund and must be used for highway purposes within the meaning of Article 14 of the Minnesota Constitution. Revenue generated through the wheelage tax does not have to be spent exclusively on the State Aid system. Tax revenues must be used for road and bridge needs.
- The following vehicles are subject to the wheelage tax: passenger vehicles, pick-up trucks, one-ton trucks, buses, class 2 city buses, school buses, farm trucks, concrete pump/sweepers, prorate trucks, commercial zone trucks, van pools, commercial trucks and prorate foreign trucks.
- The following vehicles are exempt from the wheelage tax: motorcycles, vertical motorcycles, recreational vehicles, prorate (MN trailer), mopeds, contract trailers, semi-trailers, farm trailers, state owned tax exempt and tax exempt vehicles, utility trailers, street rods, pioneers, classics, collector and classic motorcycles.
- A county board may provide for the collection of the wheelage tax by resolution by county officials or it may request that the tax be collected by the state registrar of motor vehicles. If the tax is made collectible by the state registrar, it must be certified by the county auditor to the registrar no later than August 1 in the year before the calendar year or years for which the tax is levied.

Table 1 below shows the present wheelage tax status of each of Minnesota's 87 counties. 53 counties – shown in green – have approved the wheelage tax at \$10, \$15, or \$20. The remaining 34 counties –

shown in orange - do not levy the tax. That number includes 9 counties that once levied the tax but have discontinued it.

Source: Minnesota Department of Public Safety. <https://dps.mn.gov/divisions/dvs/Pages/Wheelage-Tax.aspx>

Note: The revenue estimation methodology for counties that levy the tax multiplies those counties' tax rate by the 2019 taxable vehicle count. For counties that levy no wheelage tax, the revenue estimate is determined by multiplying those counties' 2019 taxable vehicle count by the minimum \$10 wheelage tax. Vehicle counts are Actual 2019 figures (most recent year available), maintained by the Minnesota Department of Public Safety.

Key

	Adopted
	Not Adopted

Table 1: County Projected Estimated Revenue - Current Wheelage Tax OR \$10 for No-Tax Counties

County	2019 Taxable Vehicle Counts	Current Tax 2021	Estimated 2021 Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Aitkin	17,461	\$0	\$174,610
Anoka	320,242	\$0	\$3,202,420
Becker	35,241	\$0	\$352,410
Beltrami	37,106	\$0	\$371,060
Benton	35,109	\$20	\$702,180
Big Stone	6,173	\$10	\$61,730
Blue Earth	57,064	\$0	\$570,640
Brown	27,773	\$20	\$555,460
Carlton	33,227	\$15	\$498,405
Carver	86,994	\$20	\$1,739,880
Cass	29,009	\$0	\$290,090
Chippewa	13,511	\$0	\$135,110
Chisago	55,339	\$10	\$553,390

County	2019 Taxable Vehicle Counts	Current Tax 2021	Estimated 2021 Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Clay	51,198	\$10	\$511,980
Clearwater	9,531	\$0	\$95,310
Cook	5,793	\$0	\$57,930
Cottonwood	12,723	\$10	\$127,230
Crow Wing	67,565	\$0	\$675,650
Dakota	388,468	\$10	\$3,884,680
Dodge	20,703	\$20	\$414,060
Douglas	39,913	\$0	\$399,130
Faribault	16,200	\$10	\$162,000
Fillmore	22,494	\$20	\$449,880
Freeborn	29,954	\$10	\$299,540
Goodhue	48,410	\$10	\$484,100
Grant	8,004	\$0	\$80,040
Hennepin	998,892	\$20	\$19,977,840
Houston	19,132	\$10	\$191,320
Hubbard	21,135	\$0	\$211,350
Isanti	39,219	\$10	\$392,190
Itasca	42,656	\$10	\$426,560
Jackson	10,925	\$10	\$109,250
Kanabec	16,335	\$10	\$163,350
Kandiyohi	41,890	\$10	\$418,900
Kittson	5,600	\$0	\$56,000
Koochiching	12,751	\$0	\$127,510
Lac Qui Parle	8,196	\$10	\$81,960
Lake	10,629	\$0	\$106,290

County	2019 Taxable Vehicle Counts	Current Tax 2021	Estimated 2021 Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Lake of the Woods	4,425	\$0	\$44,250
Le Sueur	30,670	\$10	\$306,700
Lincoln	6,986	\$10	\$69,860
Lyon	24,287	\$10	\$242,870
Mahnomen	4,162	\$0	\$41,620
Marshall	11,803	\$10	\$118,030
Martin	21,400	\$10	\$214,000
McLeod	37,284	\$0	\$372,840
Meeker	24,472	\$0	\$244,720
Mille Lacs	26,457	\$10	\$264,570
Morrison	35,767	\$0	\$357,670
Mower	36,709	\$10	\$367,090
Murray	10,182	\$10	\$101,820
Nicollet	27,877	\$20	\$557,540
Nobles	21,366	\$10	\$213,660
Norman	8,047	\$10	\$80,470
Olmsted	133,983	\$10	\$1,339,830
Otter Tail	60,962	\$20	\$1,219,240
Pennington	14,060	\$10	\$140,600
Pine	29,140	\$0	\$291,400
Pipestone	10,440	\$15	\$156,600
Polk	31,745	\$0	\$317,450
Pope	12,117	\$20	\$242,340
Ramsey	411,619	\$20	\$8,232,380
Red Lake	4,971	\$0	\$49,710
Redwood	17,422	\$10	\$174,220

County	2019 Taxable Vehicle Counts	Current Tax 2021	Estimated 2021 Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Renville	17,742	\$10	\$177,420
Rice	55,948	\$20	\$1,118,960
Rock	10,228	\$10	\$102,280
Roseau	17,544	\$0	\$175,440
Scott	126,581	\$10	\$1,265,810
Sherburne	88,019	\$10	\$880,190
Sibley	16,221	\$10	\$162,210
St. Louis	178,320	\$0	\$1,783,200
Stearns	143,320	\$10	\$1,433,200
Steele	35,191	\$20	\$703,820
Stevens	9,732	\$0	\$97,320
Swift	11,178	\$10	\$111,780
Todd	26,023	\$0	\$260,230
Traverse	4,265	\$0	\$42,650
Wabasha	23,220	\$20	\$464,400
Wadena	15,437	\$0	\$154,370
Waseca	19,037	\$10	\$190,370
Washington	222,758	\$20	\$4,455,160
Watonwan	11,725	\$15	\$175,875
Wilkin	8,291	\$0	\$82,910
Winona	41,702	\$0	\$417,020
Wright	129,765	\$0	\$1,297,650
Yellow Medicine	12,029	\$0	\$120,290

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Local Option Sales Tax

Background

During the 2008 legislative session, the Transportation Alliance and other transportation funding advocates supported a Local Option Sales Tax to address the transportation funding needs of Minnesota counties. Language was adopted in the comprehensive transportation funding bill – Chapter 152 – authorizing Minnesota counties to adopt a local option sales tax, in addition to the statewide general sales tax rate of 6.5%.

The new law allowed the seven counties in the Twin Cities metropolitan area to impose a ¼-cent local sales tax for transit purposes. Five of the seven counties in the Metropolitan Area (Anoka, Dakota, Hennepin, Ramsey, and Washington) passed resolutions to establish a Metropolitan Transportation Area joint powers agreement, forming the County Transit Improvement Board (CTIB) and began levying this tax to fund transit projects. In 2016-2017 a series of events led to the formal vote by members of the CTIB to dissolve the board effective September, 2017. Individual counties then developed county level transit taxes to replace funding streams that had been allocated by the CTIB. Table 2 includes the rates currently being charged by these counties.

The 2008 legislation granted additional sales taxing authority to counties outside of those in the County Transit Improvement Board which allows a single county or group of counties acting under a joint powers agreement to impose a local sales tax of up to a half-cent and a \$20 excise tax on commercial sales of motor vehicles. (This report includes a separate analysis of the \$20 Excise Tax, beginning on page 17.)

Sales of motor vehicles are subject to the state's Motor Vehicles Sales Tax, not the general sales tax, so sales of motor vehicles are not subject to a county approved local option sales tax dedicated to transportation.

Current Law Provisions

- **New language passed as part of the Omnibus Tax Bill in 2021** adds an additional use of the revenue from the local option sales tax. Current law now specifies that the proceeds of a local option sales tax be dedicated exclusively to: 1) Payment of the capital cost of a specific transportation project or improvement; 2) Payment of the capital or operating costs of specific transit project or improvement; 3) Payment of the capital costs of the Safe Routes to School program under Minn. Statutes, Sec. 174.40; and 4) Payment of transit operating costs; or (5) payment of the capital cost of constructing buildings and other facilities for maintaining transportation or transit projects or improvements
- Language passed in 2019 clarifies that all counties – metro and Greater Minnesota – are now treated equally in terms of the amount that may be levied and the uses of the revenue. The new law also states that revenue may be used for more than one project or improvement and that after a public hearing, a county may dedicate the proceeds for a new project. The law also allows counties to issue bonds for transportation purposes using local sales tax revenue to secure the bonds.
- The transportation or transit project or improvement identified in the county board resolution must be specifically designated by the county board or boards. Except for taxes for operating costs of a transit project or improvement or for transit operations, the taxes must terminate when revenues raised are sufficient to finance the project.

- The project must serve a transportation purpose, but the language does not specifically require the funding to be used for roadways or bridges. A building that served a transportation purpose, such as a maintenance facility, would qualify. Bus purchases would not qualify, but bus maintenance facilities would fall into the category of transit capital.

Counties That Have Approved the Local Option Sales Tax

The following table shows the 48 Minnesota counties that adopted a local option sales tax, the tax rate, and the total annual revenue estimated in 2020. (Actual revenues were reported through June, 2020. Annual estimate is based on doubling January through June actuals.) Source: Minnesota Department of Revenue.

<https://www.revenue.state.mn.us/local-sales-and-use-tax-cy-2004-2020>

Table 2: Estimated 2020 Local Option Sales Tax (Transit Tax) Revenue Counties that Have Enacted the Tax					
County	Tax Rate	2020 Est'd Revenue	County	Tax Rate	2020 Est'd Revenue
Anoka	0.25%	11,574,230	McLeod	0.50%	1,907,832
Benton	0.50%	2,435,818	Mille Lacs	0.50%	1,475,406
Becker	0.50%	2,535,548	Morrison	0.50%	1,825,364
Beltrami	0.50%	3,377,024	Mower	0.50%	1,875,760
Blue Earth	0.50%	6,138,156	Nicollet	0.50%	1,494,876
Brown	0.50%	1,920,438	Olmsted	0.50%	13,598,824
Carlton	0.50%	1,912,964	Otter Tail	0.50%	3,569,776
Carver	0.50%	8,748,804	Pine	0.50%	1,312,762
Cass	0.50%	1,755,982	Polk	0.25%	771,994
Chisago	0.50%	2,626,342	Ramsey	0.50%	40,625,962
Cook	0.50%	616,546	Redwood	0.50%	847,770
Crow Wing	0.50%	6,257,104	Rice	0.50%	3,765,464
Dakota	0.25%	16,951,520	Scott	0.50%	10,439,450
Dodge	0.50%	976,282	Sherburne	0.50%	5,608,506
Douglas	0.50%	3,432,004	Stearns	0.25%	6,161,294
Fillmore	0.50%	972,892	Steele	0.50%	2,953,844
Freeborn	0.50%	1,998,368	St. Louis	0.50%	14,568,326
Goodhue	0.50%	3,220,072	Todd	0.50%	926,270
Hennepin	0.50%	120,278,088	Wabasha	0.50%	974,700
Hubbard	0.50%	1,316,898	Wadena	0.50%	809,376
Isanti	0.50%	2,381,354	Waseca	0.50%	792,032
Kanabec	0.50%	477,754	Washington	0.25%	9,831,986
Kandiyohi	0.50%	3,156,164	Winona	0.50%	3,025,742
Lake	0.50%	787,038	Wright	0.50%	8,826,646

Estimated Potential 2020 Revenue – County Local Option Sales Tax

Counties That Have Not Enacted the Tax – Based on Half-Cent Sales Tax

As indicated above and displayed in Table 2, 48 counties have enacted a local option sales tax that was effective in 2020. That means that 39 counties have not enacted the tax, or once enacted but have since repealed the tax. The methodology applied to estimate the revenue potential for these 39 counties uses 2019 Sales and Use Tax data (most recent data available) collected by the Minnesota Department of Revenue. The revenue gain estimate for counties that have not enacted the tax is derived by calculating the amount each county stands to generate by increasing their general statewide sales tax rate from the general statewide sales tax rate of 6.875% by 0.5% (the hypothetical local option increase) to 7.375%. The revenue gain for counties that have enacted the tax is based on 6 months of actual 2020 revenues.

Counties that have already enacted the local option sales tax for transportation are displayed in blue. Counties that do not currently levy the tax are displayed in orange.

Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax (Additional 0.5% Rate on 2019 Actual County Taxable Sales)			
County	2019 Taxable Sales	2020 Estimated Revenues	
		Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	Counties w/ current tax: from Table 2
Aitkin	\$127,335,152	\$636,676	
Anoka	\$3,517,562,125		\$11,574,230
Becker	\$367,426,240		\$2,435,818
Beltrami	\$607,314,124		\$2,535,548
Benton	\$452,329,498		\$3,377,024
Big Stone	\$25,526,249	\$117,167	
Blue Earth	\$1,016,145,999		\$6,172,322
Brown	\$262,692,684		\$1,678,862
Carlton	\$237,169,146		\$1,809,628
Carver	\$871,715,989		\$8,419,378
Cass	\$289,467,769		\$1,573,026
Chippewa	\$106,688,602	\$536,998	
Chisago	\$306,758,946		\$2,480,562
Clay	\$427,972,988	\$587,280	

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local
Option Sales Tax
(Additional 0.5% Rate on 2019 Actual County Taxable Sales)**

County	2019 Taxable Sales	2020 Estimated Revenues	
		Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	Counties w/ current tax: from Table 2
Clearwater	\$40,970,189	\$204,851	
Cook	\$127,316,119		\$616,546
Cottonwood	\$68,892,163	\$344,461	
Crow Wing	\$1,107,541,809		\$6,257,104
Dakota	\$5,311,236,954		\$16,951,520
Dodge	\$100,643,943		\$976,282
Douglas	\$601,328,263		\$3,432,004
Faribault	\$69,391,245	\$346,956	
Fillmore	\$172,924,860		\$972,892
Freeborn	\$288,013,187		\$1,998,368
Goodhue	\$402,681,547		\$3,220,072
Grant	\$37,686,549	\$188,433	
Hennepin	\$24,737,045,594		\$120,278,088
Houston	\$80,121,001	\$400,605	
Hubbard	\$179,670,818		\$1,316,898
Isanti	\$433,797,449		\$2,381,354
Itasca	\$406,683,288	\$2,033,416	
Jackson	\$70,475,541	\$352,378	
Kanabec	\$74,934,811		\$477,754
Kandiyohi	\$578,943,480		\$3,156,164
Kittson	\$28,323,279	\$141,616	
Koochiching	\$104,261,134	\$521,306	
Lac Qui Parle	\$28,189,414	\$140,947	
Lake	\$109,158,854		\$787,038
Lake of the Woods	\$72,327,295	\$361,636	
Le Sueur	\$154,970,054	\$774,850	
Lincoln	\$36,610,784	\$183,054	
Lyon	\$330,403,061	\$1,745,052	
Mahnomen	\$54,048,354	\$270,242	
Marshall	\$50,193,831	\$250,969	
Martin	\$176,834,422	\$884,172	
McLeod	\$378,501,959		\$1,907,832
Meeker	\$182,553,740	\$912,769	

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local
Option Sales Tax
(Additional 0.5% Rate on 2019 Actual County Taxable Sales)**

County	2019 Taxable Sales	2020 Estimated Revenues	
		Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	Counties w/ current tax: from Table 2
Mille Lacs	\$208,235,272		\$1,475,406
Morrison	\$236,313,050		\$1,825,364
Mower	\$253,227,260		\$1,875,760
Murray	\$44,235,327	\$221,177	
Nicollet	\$188,640,644		\$1,494,876
Nobles	\$200,439,286	\$1,002,196	
Norman	\$36,355,397	\$181,777	
Olmsted	\$2,137,623,166		\$13,598,824
Otter Tail	\$722,282,830		\$3,569,776
Pennington	\$171,988,651	\$859,943	
Pine	\$176,113,855		\$1,312,762
Pipestone	\$76,808,990	\$384,045	
Polk	\$199,140,541		\$771,994
Pope	\$74,247,583	\$371,238	
Ramsey	\$6,965,356,509		\$40,625,962
Red Lake	\$27,868,213	\$139,341	
Redwood	\$138,125,840		\$847,770
Renville	\$67,891,505	\$339,458	
Rice	\$497,824,736		\$3,765,464
Rock	\$51,154,477	\$255,772	
Roseau	\$113,780,600	\$568,903	
Scott	\$1,500,737,007		\$10,439,450
Sherburne	\$791,040,819		\$5,608,506
Sibley	\$42,039,413	\$210,197	
St. Louis	\$2,479,031,610		\$14,568,326
Stearns	\$2,070,512,027		\$6,161,294
Steele	\$432,295,004		\$2,953,844
Stevens	\$114,105,335	\$570,527	
Swift	\$73,352,427	\$366,762	
Todd	\$86,624,039		\$926,270
Traverse	\$19,475,371	\$97,377	

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax
(Additional 0.5% Rate on 2019 Actual County Taxable Sales)**

County	2019 Taxable Sales	2020 Estimated Revenues	
		Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	Counties w/ current tax: from Table 2
Wabasha	\$111,999,394		\$974,700
Wadena	\$147,902,048		\$809,376
Waseca	\$108,803,643		\$792,032
Washington	\$2,643,868,298		\$9,831,986
Watonwan	\$59,387,718	\$296,939	
Wilkin	\$18,902,781	\$94,514	
Winona	\$401,794,068		\$3,025,742
Wright	\$1,298,334,406		\$8,826,646
Yellow Medicine	\$46,821,533	\$234,108	

KEY:

	Tax Enacted
	Tax Not Enacted



Vehicle Excise Tax

Background

In addition to granting counties the authority to impose a dedicated local sales tax up to a half-cent, the 2008 legislation also granted counties taxing authority to impose a \$20 excise tax on commercial sales of motor vehicles. (See the more detailed background and current law provisions included in the discussion of the half-cent local option sales tax on page 10 which are also relevant here, since both the half-cent local option sales tax and the \$20/vehicle excise tax were contained in the same law.)

Sales of motor vehicles are subject to the state's Motor Vehicles Sales Tax, not the general sales tax, so sales of motor vehicles are not subject to a county approved local option sales tax dedicated to transportation.

In 2016-2017 a series of events led to the formal vote by members of the County Transportation Improvement Board (CTIB) to dissolve the board effective September, 2017. The Metro Area Transit tax authorized by the CTIB affecting the five metro area counties who had adopted it (Hennepin, Ramsey, Dakota, Washington, and Anoka) expired on September 30, 2017, and thereafter each county was authorized to levy its own vehicle excise tax beginning on October 1, 2017.

Table 4 below shows actual revenues collected in 2020 for the \$20 local option vehicle excise tax.

Thirteen counties have enacted the \$20 vehicle excise tax.

Table 4: Local Option Vehicle Excise Tax			
County	2020 Revenue	County	2020 Revenue
Anoka	\$982,920	Kandiyohi	\$79,700
Beltrami	\$80,540	Otter Tail	\$217,480
Carver	\$48,600	Ramsey	\$1,188,400
Carlton	\$37,580	Scott	\$333,440
Dakota	\$1,350,880	St. Louis	\$390,760
Goodhue	110,560	Washington	\$365,560
Hennepin	\$2,530,860		
Source: Minnesota Department of Revenue Tax Research Division https://www.revenue.state.mn.us/local-sales-and-use-tax-cy-2004-2020			

Estimated Potential Revenue from a \$20/Vehicle Excise Tax, by County

The Minnesota Automobile Dealers Association reports that 194,942 cars and light trucks (vans, sport utility vehicles, and pick-up trucks) were sold in Minnesota in the year from December 2019 through November 2020. To estimate total sales for each county (the tax base), the 194,942 total sales are apportioned to each county that has not levied the tax based on their share of the total vehicle counts in 2019, which is the most recent year that data is available from the Minnesota Department of Public Safety. The estimated annual vehicle sales for each county are multiplied by a \$20 per vehicle tax. The 13 counties highlighted in green have enacted the tax, and their “estimated revenue” is the projected revenue based on actuals from 2020, shown in Table 4 on the proceeding page. [Note: These are estimates and are provided for planning purposes only.]

Note: The following cities also have a \$20 vehicle excise tax on sales of motor vehicles made by dealers: Baxter, Brainerd, Clearwater, Hutchinson, Mankato, New Ulm, and Rochester. Worthington’s Motor Vehicle Excise Tax ended September 30, 2018.

Table 5: Estimated Projected Potential Revenue from \$20/Vehicle Excise Tax, by County					
County	Estimated 2020 Car & Light Truck Sales	Estimated/Actual* Annual Revenue from \$20/Vehicle Excise Tax	County	Estimated 2020 Car & Light Truck Sales	Estimated/Actual* Annual Revenue from \$20/Vehicle Excise Tax
Aitkin	667	\$13,346	Martin	806	\$16,114
Anoka	49,146	\$982,920	McLeod	1,432	\$28,646
Becker	1,357	\$27,142	Meeker	924	\$18,477
Beltrami	4,027	\$80,540	Mille Lacs	1,016	\$20,323
Benton	1,343	\$30,213	Morrison	1,356	\$27,125
Big Stone	226	\$4,523	Mower	1,418	\$28,353
Blue Earth	2,179	\$43,575	Murray	368	\$7,367
Brown	1,046	\$20,920	Nicollet	1,081	\$21,627
Carlton	1,879	\$37,580	Nobles	815	\$16,290
Carver	2,430	\$48,600	Norman	278	\$5,564
Cass	1,118	\$22,369	Olmsted	5,310	\$106,195
Chippewa	487	\$9,741	Otter Tail	10,874	\$217,480
Chisago	2,147	\$42,933	Pennington	534	\$10,677
Clay	2,000	\$39,991	Pine	1,115	\$22,301
Clearwater	352	\$7,043	Pipestone	390	\$7,803
Cook	223	\$4,457	Polk	1,159	\$23,180
Cottonwood	467	\$9,340	Pope	452	\$9,035
Crow Wing	2,628	\$52,554	Ramsey	59,420	\$1,188,400
Dakota	67,544	\$1,350,880	Red Lake	180	\$3,596
Dodge	791	\$15,814	Redwood	639	\$12,771
Douglas	1,530	\$30,602	Renville	627	\$12,539

Table 5: Estimated Projected Potential Revenue from \$20/Vehicle Excise Tax, by County

County	Estimated 2020 Car & Light Truck Sales	Estimated/Actual* Annual Revenue from \$20/Vehicle Excise Tax	County	Estimated 2020 Car & Light Truck Sales	Estimated/Actual* Annual Revenue from \$20/Vehicle Excise Tax
Faribault	595	\$11,909	Rice	2,155	\$43,095
Fillmore	841	\$16,819	Rock	387	\$7,730
Freeborn	1,147	\$22,946	Roseau	657	\$13,144
Goodhue	5,528	\$110,560	Scott	16,672	\$333,440
Grant	278	\$5,558	Sherburne	3,427	\$68,541
Hennepin	126,543	\$2,530,860	Sibley	597	\$11,937
Houston	738	\$14,767	St. Louis	19,538	\$390,760
Hubbard	813	\$16,256	Stearns	5,563	\$111,253
Isanti	1,516	\$30,320	Steele	1,355	\$27,100
Itasca	1,662	\$33,242	Stevens	351	\$7,024
Jackson	402	\$8,039	Swift	401	\$8,013
Kanabec	626	\$12,518	Todd	995	\$19,899
Kandiyohi	3,985	\$79,700	Traverse	145	\$2,900
Kittson	195	\$3,899	Wabasha	885	\$17,696
Koochiching	484	\$9,686	Wadena	586	\$11,723
Lac Qui Parle	294	\$5,889	Waseca	722	\$14,440
Lake	430	\$8,600	Washington	18,278	\$365,560
Lake of the Woods	175	\$3,500	Watsonwan	439	\$8,786
Le Sueur	1,155	\$23,094	Wilkin	287	\$5,749
Lincoln	254	\$5,082	Winona	1,631	\$32,623
Lyon	915	\$18,291	Wright	5,029	\$100,584
Mahnomen	153	\$3,061	Yellow Medicine	428	\$8,568
Marshall	407	\$8,135			

Source:

- For the 2019 vehicle sales totals: Minnesota Automobile Dealers Association, News (Newsletter) January 2021.
- For the statewide apportionment of sales to each county (county share of the total vehicle counts in 2019): Minnesota Department of Public Safety <https://dps.mn.gov/divisions/dvs/forms-documents/Documents/MotorVehicle-CountyReport-2019.pdf>

Aggregate Tax

Background

The aggregate material tax or “gravel tax” is a production tax on the removal of aggregate material (sand, silica sand, gravel, crushed rock, granite, and limestone) weighed and measured after extraction. Aggregate material also includes borrow (particles of gravel, sand, crushed quarry, gravel or stone) that is transported on a public road, street, or highway. The tax is collected and administered at the county level, and its proceeds (net of collection costs) must be used for transportation purposes and restoration of mine sites.

The Department of Revenue reports that 36 counties collected the tax in 2019, the most recent year available. Special laws also authorize a few towns in St. Louis and Ottertail counties to impose aggregate taxes, as long as their host county does not impose the tax. The table on the following page lists the revenue generated from the Aggregate Tax for each of the 31 counties.

Current Law Provisions

State law sets the rate of the tax at 21.5 cents per cubic yard or 15 cents per ton. Counties do not have discretion to set a lower rate. Counties must conduct a public hearing prior to imposing the tax.

The taxes are deposited into the county treasury and must be spent as follows:

- The county auditor may retain up to 5 percent of the total revenue as an administrative fee for administering the tax.
- 42.5 percent must be added to the county road and bridge fund for expenditure in maintenance, construction, and reconstruction of roads, highways, and bridges
- 42.5 percent must be deposited in the general fund of the city or town in which the mine is located, or to the county where the mine is located in an unorganized town, to be expended for maintenance, construction, and reconstruction of roads, highways, and bridges
- 15 percent must be put into a special reserve fund that is established for expenditures made related to the restoration of abandoned pits, quarries, or deposits located within the county.

Table 6 shows 2019 actual revenues (most current available year) of the 35 counties that currently impose the local option county aggregate materials tax.

Aggregate Material Production Tax					
County	Production Year 2016	Production Year 2017	Production Year 2018	Production Year 2019	Production Year 2020
Becker	\$208,829	\$256,546	\$270,358	\$290,120	\$315,713
Benton	\$95,854	\$132,637	\$119,909	\$106,760	\$126,741
Big Stone	\$133,220	\$140,049	\$150,207	\$126,444	\$147,397
Carver	\$99,927	\$140,896	\$104,587	\$123,777	\$121,367
Chisago	\$187,123	\$194,818	\$279,066	\$221,758	\$159,544
Clay	\$533,783	\$386,388	\$343,367	\$322,643	\$412,765
Cottonwood	\$102,863	\$106,456	\$107,749	\$108,135	\$124,140
Dakota	\$1,116,676	\$1,085,122	\$1,198,048	\$1,203,890	\$1,380,427
Freeborn	\$78,776	\$82,632	\$89,739	\$109,650	\$107,996
Goodhue	\$137,366	\$157,453	\$132,891	\$146,183	\$165,068
Hennepin	\$225,831	\$195,763	\$178,700	\$195,602	\$191,782
Kanabec	\$0	\$90,202	\$125,839	\$117,947	\$142,406
Kandiyohi	\$157,411	\$142,838	\$146,486	\$150,310	\$154,938
Kittson	\$64,477	\$42,760	\$36,216	\$23,621	\$31,980
Le Sueur	\$340,362	\$510,258	\$581,110	\$467,029	\$190,657
Marshall	\$21,603	\$20,776	\$24,297	\$28,524	\$41,085
Meeker	\$55,885	\$68,881	\$57,932	\$64,130	\$77,576
Mille Lacs	\$148,243	\$98,865	\$102,669	\$108,894	\$86,109
Nicollet	\$94,016	\$179,618	\$141,519	\$113,500	\$80,263
Norman	\$86,666	\$91,195	\$99,484	\$63,135	\$87,384
Pennington	\$60,470	\$59,989	\$73,779	\$45,597	\$55,185
Pipestone	\$12,897	\$21,985	\$30,931	\$46,188	\$32,473
Polk	\$134,208	\$139,111	\$140,843	\$175,323	\$166,366
Ramsey	\$55,480	\$62,261	\$54,503	\$53,171	\$51,074
Red Lake	\$3,350	\$4,508	\$26,082	\$13,192	\$26,733
Rice	\$71,220	\$64,670	\$67,076	\$96,186	\$87,917
Rock	\$62,852	\$103,032	\$132,046	\$139,055	\$180,376
Scott	\$287,145	\$263,039	\$283,296	\$252,549	\$253,311
Sherburne	\$475,447	\$430,910	\$394,884	\$449,651	\$536,370
Sibley	\$122,261	\$117,902	\$77,101	\$90,126	\$96,554
Stearns	\$454,290	\$405,919	\$375,479	\$578,213	\$526,991
Steele	\$94,234	\$103,260	\$79,829	\$108,555	\$150,247
Washington	\$439,257	\$428,101	\$414,354	\$416,653	\$418,855
Wilkin	\$9,155	\$6,206	\$6,165	\$8,589	\$8,110
Wright	\$194,739	\$199,494	\$203,221	\$266,237	\$211,151
Solway Township (St. Louis)	\$84,135	\$70,639	\$57,579	\$60,852	\$46,401
TOTALS	\$6,450,050	\$6,605,177	\$6,707,339	\$7,050,948	\$7,177,214

Special Law Sales Tax

Before a political subdivision seeks special legislation authorizing the imposition of the sales tax, its governing body must pass a resolution indicating its desire to impose the tax. The resolution must include information on the proposed tax rate, the amount of revenue to be raised and its intended

use, and the anticipated date when the tax will expire. Information from the resolution is used in preparing the necessary special legislation.

Political subdivisions must hold a local referendum at a general election before imposing a local sales tax authorized by special law. Over the years, the timing of the referendum—whether it should be held before or after the enabling legislation had passed has changed. Currently the sales tax must be authorized by the legislature before the voters can approve its imposition. (Minn. Stat. § 297A.99, subd. 3)

To facilitate state administration of local taxes, the imposition of a tax may only begin on the first day of a calendar quarter. Repeal of a local tax is only effective at the end of a calendar quarter. A local taxing jurisdiction must give the Department of Revenue at least 90 days' notice before a tax is imposed or repealed. The tax is effective after the commissioner has given sellers located in the area at least 60 days' notice and will apply to catalog or remote sales only after the commissioner has given these sellers 120 days' notice. The practical effect is that there may be a delay in the imposition of a local tax on remote sales if the local government does not provide at least a 120-day advance notice to the state. (Minn. Stat. § 297A.99, subd. 12)

In order to impose a local sales tax, a political subdivision must obtain enactment of a special law authorizing it to do so by taking the following steps (in the order listed):

1) The governing body of a local government must pass a resolution proposing the tax and including the following:

- a. the proposed tax rate;
- b. a detailed description of no more than five capital projects to be funded by the tax;
- c. documentation of the regional significance of each project including the benefits to nonlocal persons and businesses;
- d. the amount of revenue to be raised for each project and the estimated time to raise that amount; and
- e. the total revenue to be raised and anticipated expiration date for the tax.

2) The local government must submit the resolution and documentation on regional significance of the project(s) to the chair and ranking minority member of the House and Senate tax committees by January 31 of the year that it is seeking the special law.

3) Working with a legislator, the local government must request and get enacted a special law authorizing imposition of the tax.

4) The local government must file local approval with the secretary of state before the start of the next regular legislative session after the session in which the enabling law is enacted.

5) The local government must receive voter approval at a general election within two years of receiving the local sales tax authority before it can impose the tax. A separate question must be held for each project and only the ones approved by voters may be funded by the sales tax. The authorized revenue to be raised and length of time that the tax is imposed is reduced for any project that is not approved by the voters.

6) The local government must pass an ordinance imposing the tax and notify the Commissioner of Revenue at least 90 days before the first day of the calendar quarter on which the tax is to be imposed.

Notwithstanding the requirement that sales tax revenues only fund the projects explicitly specified in the enabling legislation, cities of the first class (Minneapolis, St. Paul, Duluth, and Rochester) may also use the revenues to fund certain large capital projects of regional significance without additional voter approval.

In 2019, changes were made as lawmakers, seeking to rein in the use of local sales taxes in Minnesota, provided new requirements for cities. Cities cannot use the money for more than five infrastructure projects. They need to give the Legislature more detail about how the money would be used and document the projects' broader significance to the region. City leaders also have to come to the Legislature first for approval of a tax plan before taking the idea to voters — reversing the previous order.

While sales taxes levied under special law can be used for any type of project, some cities made the decision to use this revenue to fund transportation projects.

The Legislature authorized these cities to impose a local sales tax in 2020:

City	Tax Rate	Year Imposed
Glenwood	0.50%	2020
Perham	0.50%	2020
Sauk Centre	0.50%	2020
Scanlon	0.50%	2020
West St. Paul	0.50%	2020
Virginia	1.00%	2020

Table 2. City General Sales & Use Taxes Total Collections
CY 2017-2020

City	Tax Rate	Year Imposed	2017	2018	2019	2020
Albert Lea	0.50%	2006	\$ 1,465,994	\$ 1,526,457	\$ 1,605,147	\$ 755,256
Austin	0.50%	2007	944,408	1,494,791	1,620,306	768,186
Avon	0.50%	2019	-	-	25,728	101,251
Baxter	0.50%	2006	2,533,674	2,572,469	2,685,015	1,289,249
Bemidji	0.50%	2006	2,418,443	2,473,903	2,587,708	1,228,333
Blue Earth	0.50%	2019	-	-	40,601	142,759
Brainerd	0.50%	2007	983,842	987,950	1,057,248	532,008
Cambridge	0.50%	2019	-	-	231,667	723,288
Clearwater	0.50%	2008	236,923	231,605	274,291	125,014
Cloquet	0.50%	2013	992,355	946,332	1,039,266	512,545
Detroit Lakes	0.50%	2019	-	0	240,455	731,888
Duluth	1.00%	1970	14,506,564	15,139,729	16,717,760	10,006,347
East Grand Forks	1.00%	2018	-	831,794	1,027,810	481,286
Elk River	0.50%	2019	-	-	429,783	1,402,378
Excelsior	0.50%	2019	-	-	79,350	318,919
Fairmont	0.50%	2017	111,444	737,304	905,993	445,040
Fergus Falls	0.50%	2012-2016*	150,112	1,191,244	1,346,150	649,956
Glenwood	0.50%	2020	-	-	-	81,791
GKWMLL Sanitary	1.00%	2018	-	170,491	186,102	87,130
Hermantown	0.50%/1.00%	2000/2013	2,965,284	3,032,741	3,117,105	1,517,669
Hutchinson	0.50%	2012	1,460,758	1,496,046	1,542,159	772,446
Int. Falls	1.00%	2019	-	-	161,656	473,776
Lanesboro	0.50%	2012	58,735	56,545	56,251	26,700
Mankato	0.50%	1992	5,278,358	5,470,229	5,457,748	2,549,306
Marshall	0.50%	2013	1,420,915	1,448,495	1,535,398	619,785
Medford	0.50%	2013	174,459	146,504	193,596	77,291
Minneapolis	0.50%	1987	38,296,757	40,343,766	50,818,755	17,693,369
Moose Lake	0.50%	2017	30,691	227,643	234,868	118,485
New London	0.50%	2017	13,625	101,475	104,459	43,781
New Ulm	0.50%	2001	1,179,289	1,169,691	1,250,751	647,115
North Mankato	0.50%	2008	640,969	661,719	700,220	342,923
Owatonna	0.50%	2007-2011*	(337)	(45)	6	0

Perham	0.50%	2020	-	-	-	187,906
Proctor	0.50%/1.00%	2000/2017	236,354	489,792	405,936	195,249
Rochester	0.50%/0.75%	1993/2016	17,890,877	18,722,256	19,392,444	9,018,743
Rogers	0.25%	2019	-	-	161,847	541,927
Sauk Centre	0.50%	2020	-	-	-	195,515
Scanlon	0.50%	2020	-	-	-	14,712
Spicer	0.50%	2017	24,866	173,188	175,079	82,367
St. Cloud Area	0.50%	2003	10,585,794	10,699,467	11,325,991	5,286,044
St. Paul	0.50%	1993	19,333,872	19,525,456	19,992,107	9,026,160
Two Harbors	0.50%	1999	292,929	339,174	401,680	310,522
Walker	1.50%	2018	-	692,201	772,605	289,305
West St. Paul	0.50%	2020	-	-	-	621,854
Willmar	0.50%	2006- 2012*/2019	(5,864)	312	331,073	985,930
Worthington	0.50%	2009- 2019/2020	1,530,574	836,619	4,196	363,815
Virginia	1.00%	2020	-	-	-	760,729
City Total (excl. Refunds)			\$124,229,971	\$133,102,430	\$149,903,060	\$ 70,415,740
<i>City Refunds</i>			\$ (2,011,896)	\$ (2,649,021)	\$ (3,147,146)	\$ (2,167,800)

