

Local Option Transportation Funding In Minnesota



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

Prepared by: The Minnesota Transportation Alliance

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Introduction

Transportation projects continue to need a strong partnership among federal, state and local entities, with all jurisdictions providing funding to support an integrated transportation system.

Federal and state funds for transportation have increased in Minnesota since 2008, but local government spending has increased as a percentage of overall road and bridge funding. According to a new report by the Humphrey Institute: [Local Contributions to State and Regional Transportation Facilities in Minnesota](#), between 2008 and 2017, local efforts provided more funding for local roadways in all counties.

Local governments have also increased their contributions to state trunk highway projects. According to MnDOT, in federal fiscal year 2019, local spending on state projects totaled \$26,863,925 and federal fiscal year 2020, the total was \$25,840,575.

In addition to local property taxes, Minnesota law allows local governments to use a number of tools to raise funds locally including: *wheelage taxes, local option sales taxes, aggregate tax and motor vehicle excise tax*. This report reviews the current status of those local taxes and fees which are becoming more widespread in their use.

For counties – 45 counties had enacted a local option sales tax that was in effective 2019, while 53 counties levied a wheelage tax, thirteen counties charged a motor vehicle excise tax and 31 counties collected a county aggregate tax.

For cities – 43 cities currently impose a local sales tax under special law. Some of the revenue from the city local option sales tax has been used for transportation projects over the years. The growth in the use of this option has led to discussion at the legislature about the circumstances for using this tool. Local governments, except for counties, are generally prohibited by statute from imposing sales taxes. In 2019 legislation was passed to place more emphasis on using this revenue for projects of regional significance.

During the 2020 legislative session, the House developed an omnibus tax bill that included language creating a Local Sales Tax Criteria Working Group composed of representatives from cities, counties and townships. The Working Group would make recommendations regarding lists and criteria that are useful for local governments when making decisions on whether a capital project is a candidate for being funded through a local sales tax, and would provide the legislature with consistent standards for evaluating and approving the types of projects funded with local sales taxes.

This legislation was not passed at the time of the publication of this report; however, we expect the issue of future uses of the local sales tax to be an issue at the legislature.

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 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). Initially the new law restricted the rate of the wheelage tax to \$10 per vehicle from January 1, 2014 through December 31, 2017, but since January 1, 2018, all counties have been authorized to charge an amount up to \$20 per vehicle annually.

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 2018 taxable vehicle count. For counties that levy no wheelage tax, the revenue estimate is determined by multiplying those counties 2018 taxable vehicle count by the minimum \$10 wheelage tax. Vehicle counts are Actual 2018 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	2018 Taxable Vehicle Counts	Current Tax 2020	Projected 2020 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Aitkin	16,697	\$0	\$166, 970
Anoka	307,477	\$0	\$3,074,770
Becker	33,763	\$0	\$337,630
Beltrami	36,200	\$0	\$362,000
Benton	34,215	\$20	\$684,300
Big Stone	6,078	\$10	\$60,780
Blue Earth	54,524	\$0	\$545,240
Brown	28,311	\$20	\$566,220
Carlton	32,579	\$15	\$488,685
Carver	79,724	\$20	\$1,594,480
Cass	27,597	\$0	\$275,970
Chippewa	13,246	\$0	\$132,460
Chisago	55,394	\$10	\$553,940

County	2018 Taxable Vehicle Counts	Current Tax 2020	Projected 2020 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Clay	49,064	\$10	\$490,640
Clearwater	9,767	\$0	\$97,670
Cook	5,600	\$0	\$56,000
Cottonwood	12,618	\$10	\$126,180
Crow Wing	63,382	\$0	\$633,820
Dakota	364,104	\$10	\$3,641,040
Dodge	20,720	\$20	\$414,400
Douglas	37,449	\$0	\$374,490
Faribault	16,356	\$10	\$163,560
Fillmore	23,468	\$20	\$469,360
Freeborn	29,514	\$10	\$295,140
Goodhue	48,691	\$10	\$486,910
Grant	7,988	\$0	\$79,880
Hennepin	932,437	\$20	\$18,648,740
Houston	19,738	\$10	\$197,380
Hubbard	20,216	\$0	\$202,160
Isanti	37,363	\$10	\$373,630
Itasca	42,577	\$10	\$425,770
Jackson	11,066	\$10	\$110,660
Kanabec	15,854	\$10	\$158,540
Kandiyohi	41,134	\$10	\$411,340
Kittson	5,589	\$0	\$55,890
Koochiching	12,903	\$0	\$129,030
Lac Qui Parle	8,197	\$10	\$81,970
Lake	10,319	\$0	\$103,190
Lake of the Woods	4,425	\$0	\$44,250

County	2018 Taxable Vehicle Counts	Current Tax 2020	Projected 2020 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Le Sueur	30,152	\$10	\$301,520
Lincoln	6,879	\$10	\$68,790
Lyon	24,833	\$10	\$248,330
Mahnomen	4,225	\$0	\$42,250
Marshall	11,864	\$10	\$118,640
Martin	15,162	\$10	\$151,620
McLeod	36,195	\$0	\$361,950
Meeker	23,452	\$0	\$234,520
Mille Lacs	30,936	\$10	\$309,360
Morrison	35,633	\$0	\$356,330
Mower	36,727	\$10	\$367,270
Murray	10,080	\$10	\$100,800
Nicollet	26,985	\$20	\$539,700
Nobles	21,212	\$10	\$212,120
Norman	7,948	\$10	\$79,480
Olmsted	126,078	\$10	\$1,260,780
Otter Tail	60,016	\$20	\$1,200,320
Pennington	13,930	\$10	\$139,300
Pine	28,978	\$0	\$289,780
Pipestone	10,449	\$15	\$156,735
Polk	31,188	\$0	\$311,880
Pope	11,813	\$20	\$236,260
Ramsey	406,399	\$20	\$8,127,980
Red Lake	4,995	\$0	\$49,950
Redwood	17,456	\$10	\$174,560
Renville	17,722	\$10	\$177,220
Rice	56,099	\$20	\$1,121,980

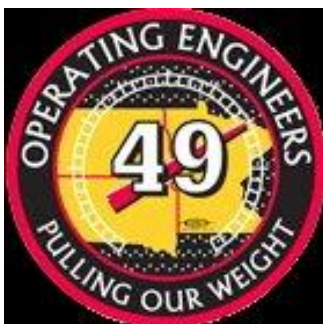
County	2018 Taxable Vehicle Counts	Current Tax 2020	Projected 2020 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties
Rock	9,993	\$10	\$99,930
Roseau	17,568	\$0	\$175,680
Scott	115,036	\$10	\$1,150,360
Sherburne	84,264	\$10	\$842,640
Sibley	16,185	\$10	\$161,850
St. Louis	171,177	\$0	\$1,711,770
Stearns	142,771	\$10	\$1,427,710
Steele	34,569	\$20	\$691,380
Stevens	9,480	\$0	\$94,800
Swift	10,748	\$10	\$107,480
Todd	24,655	\$0	\$246,550
Traverse	4,110	\$0	\$41,100
Wabasha	23,638	\$20	\$472,760
Wadena	15,582	\$0	\$155,820
Waseca	18,768	\$10	\$187,680
Washington	207,220	\$20	\$4,144,400
Watsonwan	11,794	\$15	\$176,910
Wilkin	7,945	\$0	\$79,450
Winona	40,967	\$0	\$409,670
Wright	122,011	\$0	\$1,220,110
Yellow Medicine	11,848	\$0	\$118,480

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Transportation Local Option Sales Tax – Counties

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. CTIB was dissolved in 2017, allowing counties in the Metro Area to use the same sales tax authority granted to counties in Greater Minnesota.

The 2008 legislation granted additional sales taxing authority to counties outside of those in the County Transit Improvement Board (CTIB) 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)

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 - M.S. 297A.993

- Following a public hearing, a county or group of counties may impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.
- 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 new law also allows counties to issue bonds for transportation purposes using local sales tax revenue to secure the bonds.
- Current law requires 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 costs, which may include both capital and operating costs, of a specific transit project or improvement
 - 3) Payment of the capital costs of the Safe Routes to School program
 - 4) Payment of transit operating costs
- The transportation or transit project or improvement identified in the county board resolution must be specifically designated by the county board or boards. 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.

A political subdivision may impose a tax under this section starting only on the first day of a calendar quarter. A political subdivision may repeal a tax under this section stopping only on the last day of a calendar quarter.

(b) The political subdivision shall notify the commissioner of revenue at least 90 days before imposing, changing the rate of, or repealing a tax under this section.

(c) The political subdivision shall change the rate of tax imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.

(d) The political subdivision shall apply the rate change for sales tax imposed under this section to purchases from printed catalogs, wherein the purchaser computed the tax based upon local tax rates published in the catalog, starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 120 days prior to the change.

Counties That Have Approved the Local Option Sales Tax

The following table shows the **45 Minnesota counties that adopted a local option sales tax**, the tax rate, and the total annual revenue estimated in 2019. (Actual revenues were reported through June, 2019. 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-2004-2019>

Table 2: Estimated 2019 Local Option Sales Tax (Transit Tax) Revenue Counties that Have Enacted the Tax						
County	Tax Rate	2019 Est'd Revenue		County	Tax Rate	2019 Est'd Revenue
Anoka	0.25%	11,093,500		Morrison	0.50%	1,621,556
Becker	0.50%	2,346,026		Mower	0.50%	1,843,408
Beltrami	0.50%	3,366,800		Nicollet	0.50%	1,438,946
Blue Earth	0.50%	6,172,322		Olmsted	0.50%	13,647,138
Brown	0.50%	1,678,862		Otter Tail	0.50%	3,295,976
Carlton	0.50%	1,809,628		Pine	0.50%	1,146,638
Carver	0.50%	8,419,378		Polk	0.25%	780,150
Cass	0.50%	1,573,026		Ramsey	0.50%	43,637,616
Chisago	0.50%	2,480,562		Redwood	0.50%	248,274
Cook	0.50%	683,284		Rice	0.50%	3,636,906
Crow Wing	0.50%	6,062,666		Scott	0.50%	9,814,258
Dakota	0.25%	16,758,530		Sherburne	0.50%	3,966,322
Dodge	0.50%	587,280		Stearns	0.25%	6,194,390
Douglas	0.50%	3,346,638		Steele	0.50%	2,950,342
Fillmore	0.50%	873,876		St. Louis	0.50%	14,515,596
Freeborn	0.50%	1,988,958		Todd	0.50%	797,740
Goodhue	0.50%	2,536,488		Wabasha	0.50%	924,686
Hennepin	0.50%	130,180,716		Wadena	0.50%	750,512
Hubbard	0.50%	1,132,474		Waseca	0.50%	222,512
Kandiyohi	0.50%	2,890,184		Washington	0.25%	9,779,392
Lake	0.50%	880,952		Winona	0.50%	3,043,594
Lyon	0.50%	1,887,014		Wright	0.50%	7,331,380
Mille Lacs	0.50%	1,274,286				

Estimated Revenue – New Budget Projection with COVID-19 Concerns

The unprecedented impact of the COVID-19 pandemic has added a great deal of uncertainty to any estimates of future sales tax revenue. Minnesota Management and Budget issued a [Budget Projection](#) – not a Budget Forecast – in May to try to account for the dramatic downturn in the economy with a great deal of caution about the revenue projections. With the new projection, the state's \$1.5 billion surplus turned into a \$2.4 billion deficit. According to the Budget Projection, statewide general sales tax revenue in FY 2020-21 is now projected to be \$1.351 billion (11.2 percent) less than the prior forecast. We have lowered the estimate for each county's sales tax by 10% from the 2019 estimate for 2020 in light of this update.

In 2019, 45 counties imposed a local sales tax. That means that 42 counties have not enacted the tax. The methodology applied to estimate the revenue potential for these 42 counties uses 2018 Sales and Use Tax data (most recent data available) collected by the Minnesota Department of Revenue. The estimate is derived by multiplying the reported tax revenues for that year (2018) by 0.5%. The revenue gain is what each county stands to generate by increasing their general statewide sales tax rate from the new general statewide sales tax rate of 6.875% by 0.5% (the hypothetical local option increase) to 7.375%.

Table 3 on the following pages shows an estimate for each county of the additional revenue that would be generated with the addition of a half-cent local option sales tax. (This table includes the 45 counties that have already enacted a local option sales tax, and an annualized estimate for the six counties whose tax becomes effective in 2019.) *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 2018 Actual County Taxable Sales)				
County	2018 Taxable Sales	2018 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	2019 – Actual for counties with tax; Estimate for counties w/o tax based on MMB statewide sales tax revenue projection 5% growth	2020 - Revenue Estimate w/ Covid-19 Recession (10% revenue reduction from 2019)
Aitkin	\$122,623,683	\$613,118	\$643,774	\$579,397
Anoka	\$3,413,391,235		\$11,093,500	\$9,984,150
Becker	\$351,940,782		\$2,346,026	\$2,111,424
Beltrami	\$581,554,414		\$3,366,800	\$3,030,120
Benton #	\$417,422,385		\$2,191,468	\$1,972,321
Big Stone	\$23,433,398	\$117,167	\$123,025	\$110,723
Blue Earth	\$1,009,997,122		\$6,172,322	\$5,555,090
Brown	\$256,972,787		\$1,678,862	\$1,510,976
Carlton	\$221,720,321		\$1,809,628	\$1,628,666
Carver	\$828,871,015		\$8,419,378	\$7,577,441
Cass	\$283,675,804		\$1,573,026	\$1,415,724
Chippewa	\$107,399,649	\$536,998	\$563,848	\$507,463
Chisago	\$292,472,694		\$2,480,562	\$2,232,506
Clay	\$421,453,869	\$587,280	\$616,644	\$554,980

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax
(Additional 0.5% Rate on 2018 Actual County Taxable Sales)**

County	2018 Taxable Sales	2018 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	2019 – Actual for counties with tax; Estimate for counties w/o tax based on MMB statewide sales tax revenue projection 5% growth over 2018	2020 - Revenue Estimate w/ Covid-19 Recession (10% revenue reduction from 2019)
Clearwater	\$40,460,701	\$202,304	\$212,419	\$191,177
Cook	\$127,886,463		\$683,284	\$614,956
Cottonwood	\$67,419,193	\$337,096	\$353,951	\$318,556
Crow Wing	\$1,066,736,257		\$6,062,666	\$5,456,400
Dakota	\$5,196,154,451		\$16,758,530	\$15,082,677
Dodge	\$104,289,863		\$587,280	528,552
Douglas	\$584,491,788		\$3,346,638	\$3,011,975
Faribault	\$68,181,529	\$340,908	\$357,953	\$322,158
Fillmore	\$174,163,241		\$873,876	\$786,489
Freeborn	\$291,231,680		\$1,988,958	\$1,790,063
Goodhue	\$384,163,929		\$2,536,488	\$2,282,840
Grant	\$34,994,707	\$174,974	\$183,722	\$165,350
Hennepin	\$24,554,801,203		\$130,180,716	\$117,162,645
Houston	\$75,776,724	\$378,884	\$397,828	\$358,045
Hubbard	\$175,732,136		\$1,132,474	\$1,019,226
Isanti #	\$416,753,365		\$2,187,955	\$1,969,159
Itasca	\$396,779,321	\$1,983,897	\$2,083,091	\$1,874,782
Jackson	\$67,885,457	\$339,427	\$356,399	\$320,759
Kanabec #	\$67,659,153		\$355,211	\$319,690
Kandiyohi	\$573,774,517		\$2,890,184	\$2,601,165
Kittson	\$25,428,437	\$127,142	\$133,499	\$120,149
Koochiching	\$108,939,177	\$544,696	\$571,931	\$514,738
Lac Qui Parle	\$27,322,218	\$136,611	\$143,442	\$129,097
Lake	\$110,583,222		\$880,952	\$792,856
Lake of the Woods	\$67,781,208	\$338,906	\$355,851	\$320,266
Le Sueur	\$147,556,200	\$737,781	\$774,670	\$697,203
Lincoln	\$35,300,584	\$176,503	\$185,328	\$166,795
Lyon *	\$323,175,170	\$1,887,014	\$1,981,365	\$1,783,228
Mahnomen	\$54,809,998	\$274,050	\$287,752	\$258,977
Marshall	\$46,362,447	\$231,812	\$243,403	\$219,063
Martin	\$176,200,273	\$881,001	\$925,051	\$832,546
McLeod #	\$369,559,785		\$1,940,189	\$1,746,170
Meeker	\$175,509,211	\$877,546	\$921,423	\$829,281

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax
(Additional 0.5% Rate on 2018 Actual County Taxable Sales)**

County	2018 Taxable Sales	2018 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	2019 – Actual for counties with tax; Estimate for counties w/o tax based on MMB statewide sales tax revenue projection 5% growth over 2018	2020 - Revenue Estimate w/ Covid-19 Recession (10% revenue reduction from 2019)
Mille Lacs	\$203,261,033		\$1,274,286	\$1,146,857
Morrison	\$222,151,445		\$1,621,556	\$1,621,556
Mower	\$242,506,185		\$1,843,408	\$1,659,067
Murray	\$41,403,241	\$207,016	\$217,367	\$195,630
Nicollet	\$188,373,622		\$1,438,946	\$1,295,051
Nobles	\$194,717,332	\$973,587	\$1,022,266	\$920,039
Norman	\$36,584,009	\$182,920	\$192,066	\$172,859
Olmsted	\$2,071,392,824		\$13,647,138	\$12,282,424
Otter Tail	\$718,029,647		\$3,295,976	\$2,966,379
Pennington	\$165,235,401	\$826,177	\$867,486	\$780,737
Pine	\$170,008,054		\$1,146,638	\$1,031,974
Pipestone	\$73,459,386	\$367,297	\$385,662	\$347,096
Polk	\$204,940,977		\$780,150	\$702,135
Pope	\$73,393,083	\$366,965	\$385,314	\$346,782
Ramsey	\$6,816,789,541		\$43,637,616	\$39,273,854
Red Lake	\$26,383,482	\$131,917	\$138,513	\$124,662
Redwood	\$134,310,668		\$248,274	\$223,446
Renville	\$68,584,479	\$342,922	\$360,069	\$324,062
Rice	\$488,230,108		\$3,636,906	\$3,273,215
Rock	\$50,242,256	\$251,211	\$263,772	\$237,395
Roseau	\$113,059,862	\$565,299	\$593,564	\$534,208
Scott	\$1,414,325,206		\$9,814,258	\$8,832,832
Sherburne	\$749,792,123		\$3,966,322	\$3,569,689
Sibley	\$50,935,981	\$254,680	\$267,414	\$240,673
St. Louis	\$2,471,678,184		\$14,515,596	\$13,064,036
Stearns	\$2,000,924,098		\$6,194,390	\$5,574,951
Steele	\$436,995,075		\$2,950,342	\$2,655,307
Stevens	\$99,036,179	\$495,181	\$519,940	\$467,946
Swift	\$70,182,031	\$350,910	\$368,456	\$331,610
Todd	\$84,559,095		\$797,740	\$717,9
Traverse	\$19,256,246	\$96,281	\$101,095	\$90,986

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax
(Additional 0.5% Rate on 2018 Actual County Taxable Sales)**

County	2018 Taxable Sales	2018 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	2019 – Actual for counties with tax; Estimate for counties w/o tax based on MMB statewide sales tax revenue projection 5% growth over 2018	2020 - Revenue Estimate w/ Covid-19 Recession (10% revenue reduction from 2019)
Wabasha	\$110,321,996		\$924,686	\$832,217
Wadena	\$141,446,331		\$750,512	\$675,460
Waseca	\$103,508,160		\$222,512	\$200,260
Washington	\$2,581,954,364		\$9,779,392	\$8,801,452
Watsonwan	\$58,121,682	\$290,608	\$305,139	\$274,625
Wilkin	\$18,135,110	\$90,676	\$95,209	\$85,688
Winona	\$411,857,371		\$3,043,594	\$2,739,234
Wright	\$1,265,951,900		\$7,331,380	\$6,598,242
Yellow Medicine	\$46,323,736	\$231,619	\$243,200	\$218,880

KEY:

	Tax Enacted
	Tax Not Enacted

* Lyon County Tax repealed effective June 30, 2020. Revenue estimate based on 2019 actual revenues.

Benton, Isanti, Kanabec, and McLeod Counties tax effective in late 2019 or Jan 2020, revenue estimate based on half cent new revenue.

Source: Minnesota Department of Revenue, Tax Research Division, June 2020

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 estimated revenues collected in 2019 for the \$20 local option vehicle excise tax. Actual revenues have been reported for January through June, 2019. The estimate for the entire calendar year is derived by doubling the 6- month actual revenues. Thirteen counties have enacted the \$20 vehicle excise tax.

Table 4: Local Option Vehicle Excise Tax				
County	2019 Est'd Revenue		County	2019 Est'd Revenue
Anoka	\$892,600		Kandiyohi	\$53,840
Beltrami	\$87,480		Otter Tail	\$225,280
Carver	\$51,280		Ramsey	\$1,244,480
Carlton	\$35,720		Scott	\$304,080
Dakota	\$1,357,840		St. Louis	\$417,960
Goodhue	72,360		Washington	\$429,240
Hennepin	\$2,592,520			
Source: Minnesota Department of Revenue Tax Research Division https://www.revenue.state.mn.us/local-sales-and-use-tax-cy-2004-2019				

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

The Minnesota Automobile Dealers Association reports that 214,247 cars and light trucks (vans, sport utility vehicles, and pick-up trucks) were sold in Minnesota in 2019. To estimate total sales for each county (the tax base), the 214,247 total sales are apportioned to each county that has not levied the tax based on their share of the total vehicle counts in 2018, 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 2018, shown in Table 4 on the proceeding page. [Note: These are estimates and are provided for planning purposes only.]

Table 5: Estimated Projected Potential Revenue from \$20/Vehicle Excise Tax, by County					
County	Estimated 2019 Car & Light Truck Sales	Estimated Annual Revenue from \$20/Vehicle Excise Tax	County	Estimated 2019 Car & Light Truck Sales	Estimated Annual Revenue from \$20/Vehicle Excise Tax
Aitkin	732	\$14,640	Martin	621	\$12,420
Anoka	--	\$892,600	McLeod	1,593	\$31,860
Becker	1,474	\$29,480	Meeker	1,015	\$20,300
Beltrami	--	\$87,480	Mille Lacs	1,354	\$27,080
Benton	1,498	\$29,960	Morrison	1,553	\$31,060
Big Stone	255	\$5,100	Mower	1,617	\$32,340
Blue Earth	2,357	\$47,140	Murray	417	\$8,340
Brown	1,194	\$23,880	Nicollet	1,201	\$24,020
Carlton	--	\$35,720	Nobles	918	\$18,360
Carver	--	\$51,280	Norman	320	\$6,400

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

County	Estimated 2019 Car & Light Truck Sales	Estimated Annual Revenue from \$20/Vehicle Excise Tax	County	Estimated 2019 Car & Light Truck Sales	Estimated Annual Revenue from \$20/Vehicle Excise Tax
Cass	1,225	\$24,500	Olmsted	5,741	\$114,820
Chippewa	551	\$11,020	Otter Tail	--	\$225,280
Chisago	2,479	\$49,580	Pennington	607	\$12,140
Clay	2,186	\$43,720	Pine	1,274	\$25,480
Clearwater	410	\$8,200	Pipestone	444	\$8,880
Cook	249	\$4,980	Polk	1,311	\$26,220
Cottonwood	529	\$10,580	Pope	506	\$10,120
Crow Wing	2,839	\$56,780	Ramsey	--	\$1,244,480
Dakota	--	\$1,357,840	Red Lake	207	\$4,140
Dodge	896	\$17,920	Redwood	725	\$14,500
Douglas	1,635	\$32,700	Renville	714	\$14,280
Faribault	686	\$13,720	Rice	2,459	\$49,180
Fillmore	1,004	\$20,080	Rock	427	\$8,540
Freeborn	1,292	\$25,840	Roseau	755	\$15,100
Goodhue	--	\$72,360	Scott	--	\$304,080
Grant	323	\$6,460	Sherburne	3,737	\$74,740
Hennepin	--	\$2,592,520	Sibley	681	\$13,620
Houston	863	\$17,260	St. Louis	--	\$417,960
Hubbard	900	\$18,000	Stearns	6,317	\$126,340
Isanti	1,665	\$33,300	Steele	1,527	\$30,540
Itasca	1,900	\$38,000	Stevens	388	\$7,760
Jackson	467	\$9,340	Swift	462	\$9,240
Kanabec	700	\$14,000	Todd	1,076	\$21,520
Kandiyohi	--	\$53,840	Traverse	159	\$3,180
Kittson	226	\$4,520	Wabasha	1,026	\$20,520
Koochiching	568	\$11,360	Wadena	668	\$13,360
Lac Qui Parle	340	\$6,800	Waseca	815	\$16,300
Lake	478	\$9,560	Washington	--	\$429,240
Lake of the Woods	199	\$3,980	Watsonwan	500	\$10,000
Le Sueur	1,298	\$25,960	Wilkin	319	\$6,380
Lincoln	283	\$5,660	Winona	1,838	\$36,760
Lyon	1,064	\$21,280	Wright	5,408	\$108,160
Mahnomen	179	\$3,580	Yellow Medicine	488	\$9,760
Marshall	469	\$9,380			

- For the 2018 vehicle sales totals: Minnesota Automobile Dealers Association, News (Newsletter) February 2020.
[http://www.mada.org/userfiles/files/2020_02feb_MADA_web\(890\).pdf](http://www.mada.org/userfiles/files/2020_02feb_MADA_web(890).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. 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 of the 36 counties that currently impose the local option county aggregate materials tax.

Table 6: 2019 County Aggregate Tax				
		Distribution		
County	Net Tax Revenue (After 5% Admin Fee)	County (42.5%)	City/Town (42.5%)	Reserve Fund (15%)
Becker	\$290,120	\$123,301	\$123,301	\$43,518
Benton	\$106,760	\$45,373	\$45,373	\$16,014
Big Stone	\$126,444	\$54,755	\$52,988	\$18,701
Carver	\$123,777	\$52,605	\$52,605	\$18,567
Chisago	\$221,758	\$94,247	\$94,247	\$33,264
Clay	\$322,643	\$137,123	\$137,123	\$48,396
Cottonwood	\$108,135	\$45,957	\$45,957	\$16,220
Dakota	\$1,267,252	\$511,653	\$511,653	\$180,583
Freeborn	\$109,650	\$46,601	\$46,601	\$16,448

Table 6: 2019 County Aggregate Tax (cont'd)

		Distribution		
County	Net Tax Revenue (After 5% Admin Fee)	County (~42.5%)	City/Town (~42.5%)	Reserve Fund (~15%)
Goodhue	\$146,183	\$62,585	\$61,718	\$21,879
Hennepin	\$195,602	\$83,131	\$83,131	\$29,340
Kanabec	\$117,947	\$50,127	\$50,127	\$17,692
Kandiyohi	\$150,310	\$63,882	\$63,882	\$22,547
Kittson	\$23,561	\$10,013	\$10,013	\$3,534
Le Sueur	\$467,029	\$198,487	\$198,487	\$70,054
Marshall	\$28,524	\$12,123	\$12,123	\$4,279
Meeker	\$64,130	\$27,255	\$27,255	\$9,620
Mille Lacs	\$108,894	\$46,280	\$46,280	\$16,334
Nicollet	\$113,500	\$48,238	\$48,238	\$17,025
Norman	\$63,145	\$26,837	\$26,837	\$9,472
Pennington	\$45,597	\$19,379	\$19,379	\$6,840
Pipestone	\$46,188	\$19,776	\$19,522	\$6,890
Polk	\$175,323	\$74,512	\$74,512	\$26,298
Ramsey	\$53,171	\$22,598	\$22,598	\$7,976
Red Lake	\$13,192	\$5,607	\$5,607	\$1,979
Rice	\$96,186	\$40,879	\$40,879	\$14,428
Rock	\$139,055	\$59,098	\$59,098	\$20,858
Scott	\$252,549	\$107,333	\$107,333	\$37,882
Sherburne	\$449,651	\$191,102	\$191,102	\$67,448
Sibley	\$90,126	\$38,304	\$38,304	\$13,519
Stearns	\$578,213	\$245,741	\$245,741	\$86,732
Steele	\$108,555	\$46,136	\$46,136	\$16,283
Wabasha	\$158,757	\$67,472	\$67,472	\$23,814
Washington	\$417,753	\$177,545	\$177,545	\$62,663
Wilkin	\$8,589	\$3,650	\$3,650	\$1,288
Wright	\$266,237	\$113,151	\$113,151	\$39,936

Source: Minnesota Department of Revenue

[http://www.revenue.state.mn.us/local_gov/prop_tax_admin/data_reporting/Aggregate Tax Information.pdf](http://www.revenue.state.mn.us/local_gov/prop_tax_admin/data_reporting/Aggregate_Tax_Information.pdf)

Special Law Local Option 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.

In 2020, additional cities were seeking authorization to levy a local sales tax, but a tax bill was not passed through the House and Senate at the time the regular session ended on May 18th.

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 2019:

City	Tax Rate	Year Imposed
Avon	0.50%	2019
Blue Earth (city)	0.50%	2019
Cambridge	0.50%	2019
Detroit Lakes	0.50%	2019
Elk River	0.50%	2019
Excelsior	0.50%	2019
International Falls	0.50%	2019
Rogers	0.50%	2019

Table 2. City General Sales & Use Taxes Total Collections
CY 2015-2018

City	Tax Rate	Year Imposed	2015	2016	2017	2018
Albert Lea	0.50%	2006	\$ 1,505,821	\$ 1,471,058	\$ 1,465,994	\$ 1,526,457
Austin	0.50%	2007	1,676,696	1,561,724	944,408	1,494,791
Baxter	0.50%	2006	2,332,767	2,421,617	2,533,674	2,572,469
Bemidji	0.50%	2006	2,310,735	2,385,137	2,418,443	2,473,903
Brainerd	0.50%	2007	902,105	977,263	983,842	987,950
Clearwater	0.50%	2008	222,713	229,316	236,923	231,605
Cloquet	0.50%	2013	1,025,314	972,944	992,355	946,332
Duluth	1.00%	1970	14,713,316	14,582,992	14,506,564	15,139,729
East Grand Forks	1.00%	2018	-	-	-	831,794
Fairmont	0.50%	2017	-	-	111,444	737,304
Fergus Falls	0.50%	2012-2016*	1,271,971	1,290,648	150,112	1,191,244
Hermantown	0.50%/1.00%	2000/2013	2,742,273	3,023,197	2,965,284	3,032,741
Hutchinson	0.50%	2012	1,448,877	1,359,565	1,460,758	1,496,046
Lanesboro	0.50%	2012	60,247	60,541	58,735	56,545
Mankato	0.50%	1992	5,528,901	5,310,929	5,278,358	5,470,229
Marshall	0.50%	2013	1,497,721	1,491,442	1,420,915	1,448,495
Medford	0.50%	2013	148,804	182,890	174,459	146,504
Minneapolis	0.50%	1987	36,376,863	37,624,600	38,296,757	40,343,766
Moose Lake	0.50%	2017	-	-	30,691	227,643
New London	0.50%	2017	-	-	13,625	101,475
New Ulm	0.50%	2001	1,215,202	1,183,318	1,179,289	1,169,691
North Mankato	0.50%	2008	704,161	636,326	640,969	661,719
Proctor	0.50%/1.00%	2000/2017	213,021	221,689	236,354	489,792
Rochester	0.50%/0.75%	1993/2016	11,675,132	16,930,492	17,890,877	18,722,256
Spicer	0.50%	2017	-	-	24,866	173,188
St. Cloud Area	0.50%	2003	10,033,984	10,633,803	10,585,794	10,699,467
St. Paul	0.50%	1993	18,558,003	19,056,604	19,333,872	19,525,456
Two Harbors	0.50%	1999	301,742	333,460	292,929	339,174
Walker	1.50%	2018	-	-	-	692,201
Willmar	0.50%	2006-2012*	(145,935)	1,095	(5,864)	312
Worthington	0.50%	2009	885,016	905,617	1,530,574	836,619
Total			\$117,205,450	\$124,848,267	\$125,753,001	\$133,766,897

City of Duluth



In Duluth, voters approved an increase in already existing local sales tax of ½ cent, raising it to 1 penny effective October 1, 2019.

The increase is expected to raise \$7.5 million a year for road projects.

About 17 miles of Duluth streets will be remade in 2020 after fewer than 3 miles were repaired by the city in 2019.

More than half of Duluth's 450 miles of streets are rated in poor condition, and more than a half-billion dollars of work is needed.

Voters approved the half-percent sales tax increase by a wide margin in 2017, but the Legislature didn't implement it until 2019. The sales tax in city limits is now 8.875%, tying the city of Walker as having the highest rates in Minnesota.

For the first year of sales tax-backed repairs, the city "focused on maximizing the amount of mileage that could be fixed ... along with geographic equity to make sure there were projects in all areas," according to the 2020 project plan.

West St. Paul

West St. Paul soon will be the first Dakota County city to have a local option sales tax.

The city council as expected has adopted a half-cent sales tax that is estimated to generate \$28 million over the next 20 years for funding future road projects. It goes into effect Jan. 1, 2020.

Cash-strapped because of \$21.6 million in debt to redo South Robert Street, West St. Paul city staff began looking at ways to pay for other road projects. The bill's language allows the city to use the added revenue for reconstruct or repair "critical roadway infrastructure," City Manager Ryan Schroeder explained. "We see that as county roads, (municipal state-aid) roads and non-MSA roads that are collectors."

Schroeder said the new tax will allow the city to "pay as you go" for future road projects until about 2034, when most of the city's existing road debt is scheduled to be paid off.



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