

# Local Option Transportation Funding Sources for Minnesota Counties



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

Prepared by the Minnesota Transportation Alliance

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# Wheelage Tax

## Background

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 In 2008, the legislature repealed the provision requiring an offsetting reduction in the property tax levy, and by 2013, five of the seven metro area counties had adopted the \$5 per vehicle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). Due to computer programming issues at the Department of Public Safety, the new law restricted the rate of the wheelage tax to \$10 per vehicle from January 1, 2014 through December 31, 2017, but after January 1, 2018, all counties are able to charge an amount up to \$20 per vehicle annually in any increment of a whole dollar.

## 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 needs to 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. Fifty-three counties – shown in green – have approved the wheelage tax at \$10, \$15, or \$20. Six counties – shown in orange – once had adopted the wheelage tax but have since discontinued it. Twenty-eight counties – shown in blue – have yet to adopt the tax.

[Estimation methodology applies each county's actual current tax if over \$10, and \$10 for all counties currently levying no wheelage tax. Vehicle counts are Actual 2016 figures (most recent year available), maintained by the Minnesota Department of Public Safety.]

Key

|  |              |
|--|--------------|
|  | Adopted      |
|  | Discontinued |
|  | No Action    |

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

| County     | 2016 Taxable Vehicle Counts | Current Tax 2018 | Projected 2018 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties |
|------------|-----------------------------|------------------|--|
| Aitkin     | 16,564                      | \$0              | \$165,640  |
| Anoka      | 283,919                     | \$0              | \$2,839,190  |
| Becker     | 32,634                      | \$0              | \$326,340  |
| Beltrami   | 34,998                      | \$0              | \$349,980  |
| Benton     | 32,718                      | \$20             | \$654,360  |
| Big Stone  | 6,073                       | \$0              | \$60,730   |
| Blue Earth | 51,638                      | \$0              | \$516,380  |
| Brown      | 27,831                      | \$20             | \$556,620  |
| Carlton    | 32,139                      | \$0              | \$321,390  |
| Carver     | 78,531                      | \$20             | \$1,570,620  |
| Cass       | 26,406                      | \$0              | \$264,060  |
| Chippewa   | 12,375                      | \$0              | \$123,750  |
| Chisago    | 55,043                      | \$10             | \$550,430  |

| County            | 2016 Taxable Vehicle Counts | Current Tax 2018 | Projected 2018 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties |
|-------------------|-----------------------------|------------------|--|
| Clay              | 47,729                      | \$10             | \$477,290  |
| Clearwater        | 9,410                       | \$0              | \$94,100   |
| Cook              | 5,497                       | \$0              | \$54,970   |
| Cottonwood        | 12,336                      | \$10             | \$123,360  |
| Crow Wing         | 62,020                      | \$0              | \$620,200  |
| Dakota            | 342,706                     | \$10             | \$3,427,060  |
| Dodge             | 20,081                      | \$20             | \$401,620  |
| Douglas           | 36,898                      | \$0              | \$368,980  |
| Faribault         | 15,895                      | \$10             | \$158,950  |
| Fillmore          | 23,288                      | \$20             | \$465,760  |
| Freeborn          | 28,862                      | \$10             | \$288,620  |
| Goodhue           | 47,642                      | \$10             | \$476,420  |
| Grant             | 7,257                       | \$0              | \$72,570   |
| Hennepin          | 922,961                     | \$10             | \$9,229,610  |
| Houston           | 19,646                      | \$10             | \$196,460  |
| Hubbard           | 19,737                      | \$0              | \$197,370  |
| Isanti            | 35,213                      | \$10             | \$352,130  |
| Itasca            | 42,392                      | \$10             | \$423,920  |
| Jackson           | 10,482                      | \$10             | \$104,820  |
| Kanabec           | 15,072                      | \$10             | \$150,720  |
| Kandiyohi         | 40,228                      | \$10             | \$402,280  |
| Kittson           | 5,303                       | \$0              | \$53,030   |
| Koochiching       | 12,608                      | \$0              | \$126,080  |
| Lac Qui Parle     | 8,040                       | \$10             | \$80,400   |
| Lake              | 10,708                      | \$0              | \$107,080  |
| Lake of the Woods | 4,358                       | \$0              | \$43,580   |

| County     | 2016 Taxable Vehicle Counts | Current Tax 2018 | Projected 2018 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties |
|------------|-----------------------------|------------------|--|
| Le Sueur   | 30,575                      | \$10             | \$305,750  |
| Lincoln    | 6,889                       | \$10             | \$68,890   |
| Lyon       | 24,064                      | \$10             | \$240,640  |
| Mahnomen   | 3,879                       | \$0              | \$38,790   |
| Marshall   | 10,978                      | \$10             | \$109,780  |
| Martin     | 20,621                      | \$10             | \$206,210  |
| McLeod     | 35,680                      | \$10             | \$356,800  |
| Meeker     | 22,730                      | \$0              | \$227,300  |
| Mille Lacs | 27,550                      | \$10             | \$275,500  |
| Morrison   | 34,941                      | \$10             | \$349,410  |
| Mower      | 35,038                      | \$10             | \$350,380  |
| Murray     | 10,076                      | \$10             | \$100,760  |
| Nicollet   | 26,498                      | \$20             | \$529,960  |
| Nobles     | 20,791                      | \$10             | \$207,910  |
| Norman     | 7,483                       | \$10             | \$74,830   |
| Olmsted    | 123,138                     | \$10             | \$1,231,380  |
| Otter Tail | 58,068                      | \$20             | \$1,161,360  |
| Pennington | 13,318                      | \$10             | \$133,180  |
| Pine       | 27,827                      | \$0              | \$278,270  |
| Pipestone  | 10,710                      | \$15             | \$160,650  |
| Polk       | 29,779                      | \$0              | \$297,790  |
| Pope       | 11,493                      | \$10             | \$114,930  |
| Ramsey     | 390,097                     | \$20             | \$7,801,940  |
| Red Lake   | 4,697                       | \$0              | \$46,970   |
| Redwood    | 16,628                      | \$10             | \$166,280  |
| Renville   | 16,935                      | \$10             | \$169,350  |

| County          | 2016 Taxable Vehicle Counts | Current Tax 2018 | Projected 2018 Est'd Revenue from Current Wheelage Tax (Counties in Green) OR \$10 for No-Tax Counties |
|-----------------|-----------------------------|------------------|--|
| Rice            | 55,281                      | \$20             | \$1,105,620  |
| Rock            | 9,829                       | \$10             | \$98,290   |
| Roseau          | 17,095                      | \$0              | \$170,950  |
| Scott           | 111,693                     | \$10             | \$1,116,930  |
| Sherburne       | 83,046                      | \$10             | \$830,460  |
| Sibley          | 15,381                      | \$10             | \$153,810  |
| St. Louis       | 167,526                     | \$0              | \$1,675,260  |
| Stearns         | 138,039                     | \$10             | \$1,380,390  |
| Steele          | 33,767                      | \$20             | \$675,340  |
| Stevens         | 9,261                       | \$0              | \$92,610   |
| Swift           | 10,840                      | \$10             | \$108,400  |
| Todd            | 23,427                      | \$0              | \$234,270  |
| Traverse        | 3,844                       | \$0              | \$38,440   |
| Wabasha         | 23,485                      | \$20             | \$469,700  |
| Wadena          | 15,224                      | \$0              | \$152,240  |
| Waseca          | 18,266                      | \$10             | \$182,660  |
| Washington      | 207,348                     | \$10             | \$2,073,480  |
| Watonwan        | 11,318                      | \$15             | \$169,770  |
| Wilkin          | 7,496                       | \$0              | \$74,960   |
| Winona          | 39,382                      | \$0              | \$393,820  |
| Wright          | 119,079                     | \$0              | \$1,190,790  |
| Yellow Medicine | 11,115                      | \$0              | \$111,150  |
| <b>SUBTOTAL</b> |                             |                  | <b>\$54,301,220</b>  |

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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 Counties Transit Improvement Board (CTIB) and began levying this tax to fund transit projects. Scott County enacted its own separate half-cent local option tax under the authority granted to counties in Greater Minnesota and those metro counties not included in the Metropolitan Transportation Area. 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 using the authority granted to counties outside the Metropolitan Transportation Area under MS297A.993.

The 2008 legislation granted additional sales taxing authority to counties outside of those in the Counties 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

- Under the law passed in 2008, the local sales tax and excise tax authorized outside of the Metropolitan Transportation Area were subject to approval of the voters via referendum in each county at a general election. In 2013, the Minnesota Transportation Alliance and local government associations including the Association of Minnesota Counties supported replacing the referendum requirement with a requirement that the county board – or county boards in the case of joint agreements – pass a resolution following a public hearing. This language was included in SF891/HF931 and passed in Chapter 117, the Transportation Appropriations bill (MS297A.993).
- 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 under Minnesota Statutes, Section 174.40
  - 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. 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.

- The political subdivision 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.

**Counties That Have Approved the Local Option Sales Tax**

The following table shows the 35 Minnesota counties that adopted a local option sales tax, the tax rate, and the total annual revenue generated in 2017.

| <b>Table 2: Estimated 2017 Local Option Sales Tax For Counties that Have Enacted the Tax</b> |                 |                            |  |               |                 |                            |
|--|-----------------|----------------------------|--|---------------|-----------------|----------------------------|
| <b>County</b>  | <b>Tax Rate</b> | <b>2017 Actual Revenue</b> |  | <b>County</b> | <b>Tax Rate</b> | <b>2017 Actual Revenue</b> |
| Anoka  | 0.25%           | 1,691,361                  |  | Lake          | 0.50%           | 534,316                    |
| Becker   | 0.50%           | 2,399,674                  |  | Lyon          | 0.50%           | 1,880,882                  |
| Beltrami   | 0.50%           | 3,465,150                  |  | Mille Lacs    | 0.50%           | 969,168                    |
| Blue Earth   | 0.50%           | 6,021,417                  |  | Olmsted       | 0.25%/0.50%     | 9,561,943                  |
| Brown  | 0.50%           | 1,663,602                  |  | Otter Tail    | 0.50%           | 3,451,792                  |
| Carlton  | 0.50%           | 1,964,660                  |  | Pine          | 0.50%           | 896,740                    |
| Carver   | 0.50%           | 892,342                    |  | Ramsey        | 0.50%           | 6,412,847                  |
| Cass   | 0.50%           | 1,795,180                  |  | Rice          | 0.50%           | 3,443,765                  |
| Chisago  | 0.50%           | 2,178,378                  |  | Scott         | 0.50%           | 8,696,361                  |
| Clay   | 0.50%           | 361,017                    |  | Steele        | 0.50%           | 14,461,229                 |
| Cook   | 0.50%           | 677,578                    |  | St. Louis     | 0.50%           | 2,717,876                  |
| Crow Wing  | 0.50%           | 6,087,433                  |  | Todd          | 0.50%           | 794,335                    |
| Dakota   | 0.25%           | 2,536,993                  |  | Wabasha       | 0.50%           | 830,490                    |
| Douglas  | 0.50%           | 3,390,519                  |  | Wadena        | 0.50%           | 725,655                    |
| Fillmore   | 0.50%           | 875,698                    |  | Washington    | 0.25%           | 1,487,620                  |
| Freeborn   | 0.50%           | 1,899,193                  |  | Winona        | 0.50%           | 2,527,345                  |
| Hennepin   | 0.50%           | 19,982,941                 |  | Wright        | 0.50%           | 1,003,788                  |
| Hubbard  | 0.50%           | 1,040,001                  |  |               |                 |                            |

## Estimated Potential 2017 Revenue

### Counties that have not Enacted the Tax - Based on Half-Cent Sales Tax

As indicated above and displayed in Table 2, thirty-five counties have enacted a local option sales tax. That means that 52 counties have not enacted the tax. The methodology applied to derive the revenue potential for these 52 counties uses 2016 Sales and Use Tax data (most recent data available) collected by the Minnesota Department of Revenue and simply multiplies the reported tax revenues for that year (2016) by 0.5%. The revenue gain is what each county stands to generate by increasing their general statewide sales tax rate from 6.5% by 0.5% (the hypothetical local option increase) to 7.0%.

For 2018 and beyond, these dollar amounts would need to be increased to account for growth in revenue. The statewide general sales tax revenues are projected to grow in 2018 over 2016 by 4.9% or \$256 million.

The table 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 35 counties that have already enacted a local option sales tax. See Table 2 for the actual 2017 revenues generated from those approved local option taxes.)

**Note:** As indicated above, the state’s current revenue outlook reported in Minnesota Management and Budget’s February 2018 Economic Forecast is favorable, showing continued healthy year-to-year growth of the state general sales tax revenue of 3.3% in 2017, and 1.6% in 2018, and 5.2% in 2019. Nevertheless, the Minnesota’s Council of Economic Advisers warns that planning estimates for the 2018-19 biennium should be used with caution. (Forecast document at: <https://mn.gov/mmb-stat/000/az/forecast/2018/budget-and-economic-forecast/final.pdf> .)

| <b>Table 3: Est'd Additional Revenue to Counties from Half-Cent Local Option Sales Tax<br/>(Additional 0.5% of 2016 Actual County Sales Tax Revenue)</b> |                           |  |
|--|---------------------------|--|
| <b>County</b>  | <b>2016 Taxable Sales</b> | <b>0.5% Increase in General Sales Tax Rate from Local Option</b> |
| Aitkin   | \$112,685,145             | \$563,426  |
| Benton   | \$382,249,107             | \$1,911,246  |
| Big Stone  | \$23,787,308              | \$118,937  |
| Chippewa   | \$106,474,654             | \$532,373  |
| Clearwater   | \$42,112,767              | \$210,564  |
| Cottonwood   | \$67,226,263              | \$336,131  |
| Dodge  | \$89,236,142              | \$446,181  |
| Faribault  | \$69,186,217              | \$345,931  |
| Goodhue  | \$353,162,234             | \$1,765,811  |

|                   |               |             |
|-------------------|---------------|-------------|
| Grant             | \$33,857,920  | \$169,290   |
| Houston           | \$76,062,620  | \$380,313   |
| Isanti            | \$386,146,857 | \$1,930,734 |
| Itasca            | \$377,408,849 | \$1,887,044 |
| Jackson           | \$66,023,135  | \$330,116   |
| Kanabec           | \$63,816,141  | \$319,081   |
| Kandiyohi         | \$544,120,144 | \$2,720,601 |
| Kittson           | \$23,902,444  | \$119,512   |
| Koochiching       | \$99,098,015  | \$495,490   |
| Lac Qui Parle     | \$27,799,803  | \$138,999   |
| Lake of the Woods | \$61,638,372  | \$308,192   |
| Le Sueur          | \$134,388,654 | \$671,943   |
| Lincoln           | \$33,972,888  | \$169,864   |
| Mahnomen          | \$50,282,055  | \$251,410   |
| Marshall          | \$41,007,268  | \$205,036   |
| Martin            | \$170,628,352 | \$853,142   |
| McLeod            | \$344,802,837 | \$1,724,014 |
| Meeker            | \$157,931,654 | \$789,658   |
| Morrison          | \$218,536,124 | \$1,092,681 |
| Mower             | \$240,150,854 | \$1,200,754 |
| Murray            | \$39,305,011  | \$196,525   |
| Nicollet          | \$172,990,911 | \$864,955   |
| Nobles            | \$189,090,547 | \$945,453   |
| Norman            | \$36,407,912  | \$182,040   |
| Pennington        | \$156,521,042 | \$782,605   |
| Pipestone         | \$66,416,570  | \$332,083   |
| Polk              | \$199,254,538 | \$996,273   |
| Pope              | \$66,766,287  | \$333,831   |
| Red Lake          | \$25,427,604  | \$127,138   |

|                 |                 |             |
|-----------------|-----------------|-------------|
| Redwood         | \$135,287,003   | \$676,435   |
| Renville        | \$69,209,010    | \$346,045   |
| Rock            | \$51,206,338    | \$256,032   |
| Roseau          | \$109,647,231   | \$548,236   |
| Sherburne       | \$658,717,631   | \$3,293,588 |
| Sibley          | \$54,433,017    | \$272,165   |
| Stearns         | \$1,917,469,997 | \$9,587,350 |
| Stevens         | \$89,240,370    | \$446,202   |
| Swift           | \$67,414,546    | \$337,073   |
| Traverse        | \$18,072,457    | \$90,362    |
| Waseca          | \$99,598,068    | \$497,990   |
| Watonwan        | \$57,147,942    | \$285,740   |
| Wilkin          | \$19,094,721    | \$95,474    |
| Yellow Medicine | \$46,304,174    | \$231,521   |

Source: Minnesota Department of Revenue, Tax Research Division,  
May 2018

## 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 CTIB to dissolve the board effective September, 2017. The Metro Area Transit tax authorized by the Counties Transportation Improvement Board (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 the actual revenues collected in 2017 from the local option \$20 vehicle excise tax. As noted in the narrative in the preceding paragraph, 2017 was not a typical year, since the CTIB was dissolved in September of that year. The dissolution of the CTIB, of course, meant the elimination of the revenue to the "Metro Area Transit" starting in October of that year. Afterwards, individual counties formerly comprising the CTIB joint powers agreement were authorized to impose their own local option vehicle excise tax.

Since the individual county taxes started in October, the revenues shown in the table for those metro counties who had previously been collecting revenues under the CTIB tax are small since they encompass revenues only from November through December of that year. The large amount shown for the Metro Area Transit includes the tax revenue collected for the first nine months of the year, when the CTIB tax was still in effect.

Eleven counties have imposed the \$20 vehicle excise tax.

| <b>Table 4: Local Option Vehicle Excise Tax</b>  |                     |  |                      |                     |
|--|---------------------|--|----------------------|---------------------|
| <b>County</b>  | <b>2017 Revenue</b> |  | <b>County</b>        | <b>2017 Revenue</b> |
| Anoka  | \$123,140           |  | Ramsey               | \$177,480           |
| Beltrami   | \$69,060            |  | Otter Tail           | \$72,020            |
| Carver   | \$7,840             |  | Scott                | \$242,480           |
| Carlton  | \$49,920            |  | St. Louis            | \$351,460           |
| Dakota   | \$201,060           |  | Washington           | \$52,300            |
| Hennepin   | \$392,060           |  | Metro Area Transit * | \$5,706,047         |
| * Metro Area Transit includes Anoka, Dakota, Hennepin, Ramsey, and Washington Counties.<br>Source: Minnesota Department of Revenue Tax Research Division.<br><a href="http://www.revenue.state.mn.us/research_stats/Pages/Local-Sales-and-Use-Tax.aspx">http://www.revenue.state.mn.us/research_stats/Pages/Local-Sales-and-Use-Tax.aspx</a> ; Table 4 - Local Selective Sales and Use Tax. May, 2018. |                     |  |                      |                     |

## Estimated Potential Revenue from a \$20 Commercial Vehicle Excise Tax

The Minnesota Automobile Dealers Association reports that 211,334 cars and light trucks (vans, sport utility vehicles, and pick-up trucks) were sold in Minnesota in 2017. To estimate total sales for each county (the tax base), the 211,334 total sales are apportioned to each county based on their share of the total vehicle counts in 2016, 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. [Note: These are estimates and are provided for planning purposes only.]

**Table 5: Est'd Projected Potential Revenue from \$20/Vehicle Excise Tax, by County**

| County                | Estimated 2017 Car & Light Truck Sales | Estimated Annual Revenue from \$20/Vehicle Excise Tax | County     | Estimated 2017 Car & Light Truck Sales | Estimated Annual Revenue from \$20/Vehicle Excise Tax |
|-----------------------|--|---|------------|--|---|
| Aitkin                | 740                                    | \$14,803  | Martin     | 908                                    | \$18,153  |
| Anoka                 | 13,107                                 | Actual: 123,140                                       | McLeod     | 1,599                                  | \$31,982  |
| Becker                | 1,450                                  | \$29,005  | Meeker     | 1,004                                  | \$20,083  |
| Beltrami              | 1,583                                  | Actual: \$69,060                                      | Mille Lacs | 1,222                                  | \$24,441  |
| Benton                | 1,461                                  | \$29,227  | Morrison   | 1,551                                  | \$31,018  |
| Big Stone             | 262                                    | \$5,246   | Mower      | 1,579                                  | \$31,583  |
| Blue Earth            | 2,269                                  | \$45,376  | Murray     | 431                                    | \$8,622   |
| Brown                 | 1,200                                  | \$24,004  | Nicollet   | 1,201                                  | \$24,019  |
| Carlton               | 1,473                                  | Actual: \$49,920                                      | Nobles     | 915                                    | \$18,293  |
| Carver                | 3,617                                  | \$72,349  | Norman     | 318                                    | \$6,357   |
| Cass                  | 1,192                                  | \$23,836  | Olmsted    | 5,665                                  | \$113,292   |
| Chippewa              | 532                                    | \$10,645  | Otter Tail | 2,586                                  | Actual: \$72,020                                      |
| Chisago               | 2,499                                  | \$49,983  | Pennington | 595                                    | \$11,903  |
| Clay                  | 2,169                                  | \$43,381  | Pine       | 1,239                                  | \$24,771  |
| Clearwater            | 405                                    | \$8,096   | Pipestone  | 463                                    | \$9,252   |
| Cook                  | 248                                    | \$4,953   | Polk       | 1,314                                  | \$26,289  |
| Cottonwood            | 531                                    | \$10,620  | Pope       | 503                                    | \$10,053  |
| Crow Wing             | 2,815                                  | \$56,297  | Ramsey     | 18,114                                 | \$362,283   |
| Dakota <sup>(1)</sup> | 15,725                                 | \$314,499   | Red Lake   | 205                                    | \$4,093   |
| Dodge                 | 885                                    | \$17,698  | Redwood    | 719                                    | \$14,373  |
| Douglas               | 1,645                                  | \$32,893  | Renville   | 717                                    | \$14,347  |
| Faribault             | 687                                    | \$13,737  | Rice       | 2,460                                  | \$49,206  |
| Fillmore              | 1,018                                  | \$20,350  | Rock       | 433                                    | \$8,651   |
| Freeborn              | 1,288                                  | \$25,753  | Roseau     | 749                                    | \$14,985  |

|                   |        |           |                 |                |                    |
|-------------------|--------|-----------|-----------------|----------------|--------------------|
| Goodhue           | 2,076  | \$41,528  | Scott           | 5,085          | \$101,693          |
| Grant             | 306    | \$6,113   | Sherburne       | 3,765          | \$75,309           |
| Hennepin          | 42,822 | \$856,436 | Sibley          | 668            | \$13,361           |
| Houston           | 876    | \$17,524  | St. Louis       | 7,706          | \$154,120          |
| Hubbard           | 894    | \$17,888  | Stearns         | 6,154          | \$123,072          |
| Isanti            | 1,592  | \$31,838  | Steele          | 1,515          | \$30,301           |
| Itasca            | 1,921  | \$38,422  | Stevens         | 387            | \$7,747            |
| Jackson           | 455    | \$9,104   | Swift           | 461            | \$9,223            |
| Kanabec           | 675    | \$13,500  | Todd            | 1,042          | \$20,831           |
| Kandiyohi         | 1,777  | \$35,536  | Traverse        | 156            | \$3,120            |
| Kittson           | 225    | \$4,497   | Wabasha         | 1,041          | \$20,823           |
| Koochiching       | 564    | \$11,285  | Wadena          | 664            | \$13,278           |
| Lac Qui Parle     | 347    | \$6,937   | Waseca          | 811            | \$16,212           |
| Lake              | 489    | \$9,779   | Washington      | 9,624          | \$192,488          |
| Lake of the Woods | 194    | \$3,875   | Watonwan        | 500            | \$10,000           |
| Le Sueur          | 1,351  | \$27,013  | Wilkin          | 317            | \$6,336            |
| Lincoln           | 292    | \$5,847   | Winona          | 1,784          | \$35,673           |
| Lyon              | 1,056  | \$21,117  | Wright          | 5,344          | \$106,890          |
| Mahnomen          | 169    | \$3,385   | Yellow Medicine | 478            | \$9,565            |
| Marshall          | 462    | \$9,231   | <b>TOTAL</b>    | <b>211,334</b> | <b>\$4,226,680</b> |

Source:

- For the 2017 vehicle sales totals: Minnesota Automobile Dealers Association, News (Newsletter) February 2018. <http://www.mada.org/news/newsletters>.
- For the statewide apportionment of sales to each county (county share of the total vehicle counts in 2016): Minnesota Department of Public Safety <https://dps.mn.gov/divisions/dvs/forms-documents/Documents/MotorVehicle-CountyReport-2016.pdf>

# Aggregate Tax

## Background

The aggregate material tax or “gravel tax” is a production tax on the removal of aggregate. 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 31 counties collected the tax in 2017. 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. Only Solway Township in St. Louis County collected tax under this authority in 2017. The table on the following page lists the revenue generated from the Aggregate Tax for each of the 31 counties and Solway Township.

## 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 2017 actual revenues of the 35 counties and the one town that currently impose the local option county aggregate materials tax.

|            |                                      | Distribution   |                   |                    |
|------------|--------------------------------------|----------------|-------------------|--------------------|
| County     | Net Tax Revenue (After 5% Admin Fee) | County (42.5%) | City/Town (42.5%) | Reserve Fund (15%) |
| Becker     | \$256,546                            | \$109,032      | \$109,032         | \$38,482           |
| Benton     | \$132,637                            | \$56,371       | \$56,371          | \$19,896           |
| Big Stone  | \$140,049                            | \$59,521       | \$59,521          | \$21,007           |
| Carver     | \$140,896                            | \$59,881       | \$59,881          | \$21,134           |
| Chisago    | \$194,818                            | \$82,798       | \$82,798          | \$29,223           |
| Clay       | \$386,388                            | \$164,215      | \$164,215         | \$57,958           |
| Cottonwood | \$106,456                            | \$45,244       | \$45,244          | \$15,968           |
| Dakota     | \$1,085,122                          | \$461,177      | \$461,177         | \$162,768          |

|             |           |           |           |          |
|-------------|-----------|-----------|-----------|----------|
| Freeborn    | \$82,632  | \$35,119  | \$35,119  | \$12,395 |
| Goodhue     | \$157,453 | \$66,918  | \$66,918  | \$23,618 |
| Hennepin    | \$195,763 | \$83,199  | \$83,199  | \$29,364 |
| Kanabec     | \$90,202  | \$38,336  | \$38,336  | \$13,530 |
| Kandiyohi   | \$142,838 | \$60,706  | \$60,706  | \$21,426 |
| Kittson     | \$42,760  | \$18,173  | \$18,173  | \$6,414  |
| Le Sueur    | \$510,258 | \$216,860 | \$216,860 | \$76,539 |
| Marshall    | \$20,776  | \$8,830   | \$8,830   | \$3,116  |
| Meeker      | \$68,881  | \$29,274  | \$29,274  | \$10,332 |
| Mille Lacs  | \$98,865  | \$42,018  | \$42,018  | \$14,830 |
| Nicollet    | \$179,618 | \$76,338  | \$76,338  | \$26,943 |
| Norman      | \$91,195  | \$38,758  | \$38,758  | \$13,679 |
| Pennington  | \$59,989  | \$25,495  | \$25,495  | \$8,998  |
| Pipestone   | \$21,985  | \$9,344   | \$9,344   | \$3,298  |
| Polk        | \$139,111 | \$59,122  | \$59,122  | \$20,867 |
| Ramsey      | \$62,261  | \$26,461  | \$26,461  | \$9,339  |
| Red Lake    | \$4,508   | \$1,916   | \$1,916   | \$676    |
| Rice        | \$64,670  | \$27,485  | \$27,485  | \$9,701  |
| Rock        | \$103,032 | \$43,789  | \$43,789  | \$15,455 |
| Scott       | \$263,039 | \$111,792 | \$111,792 | \$39,456 |
| Sherburne   | \$430,910 | \$183,137 | \$183,137 | \$64,637 |
| Sibley      | \$117,902 | \$50,108  | \$50,108  | \$17,685 |
| Stearns     | \$405,919 | \$172,516 | \$172,516 | \$60,888 |
| Steele      | \$103,260 | \$43,886  | \$43,886  | \$15,489 |
| Washington  | \$428,101 | \$181,943 | \$181,943 | \$64,215 |
| Wilkin      | \$6,206   | \$2,638   | \$2,638   | \$931    |
| Wright      | \$199,494 | \$84,785  | \$84,785  | \$29,924 |
| Solway Town | \$70,639  |           | \$70,639  |          |

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)





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