

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 the 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 In 2008, the legislature repealed the provision requiring an offsetting reduction in the property tax levy, and by 2013, five of the seven metro area counties had adopted the \$5 per vehicle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. 54 counties – shown in green – have approved the wheelage tax at \$10, \$15, or \$20. The remaining 33 counties – shown in orange - do not levy the tax. That number includes 9 counties that once levied the tax but have discontinued it.



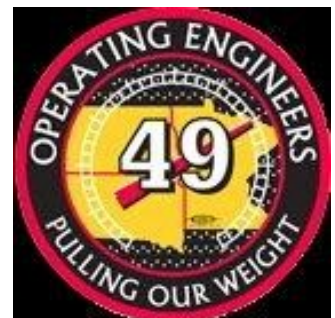
County	2020 Taxable Vehicle Counts	Current Tax 2022	Estimated Revenue from Current Wheelage Tax OR \$10 for No-Tax Counties	County	2020 Taxable Vehicle Counts	Current Tax 2022	Estimated Revenue from Current Wheelage Tax OR \$10 for No-Tax Counties
Aitkin	17,480	\$0	\$174,800	Martin	21,138	\$10	\$211,380
Anoka	322,990	\$0	\$3,229,900	McLeod	37,146	\$0	\$371,460
Becker	35,449	\$0	\$354,490	Meeker	24,760	\$0	\$247,600
Beltrami	37,190	\$0	\$371,900	Mille Lacs	26,102	\$20	\$522,040
Benton	35,259	\$20	\$705,180	Morrison	35,941	\$0	\$359,410
Big Stone	6,006	\$10	\$60,060	Mower	36,630	\$10	\$366,300
Blue Earth	56,761	\$0	\$567,610	Murray	10,159	\$10	\$101,590
Brown	27,445	\$20	\$548,900	Nicollet	27,834	\$20	\$556,680
Carlton	33,149	\$15	\$497,235	Nobles	21,442	\$10	\$214,420
Carver	88,031	\$20	\$1,760,620	Norman	7,955	\$10	\$79,550
Cass	29,085	\$0	\$290,850	Olmsted	134,656	\$10	\$1,346,560
Chippewa	13,478	\$0	\$134,780	Otter Tail	61,101	\$20	\$1,222,020
Chisago	55,861	\$10	\$558,610	Pennington	13,987	\$10	\$139,870
Clay	50,899	\$10	\$508,990	Pine	29,530	\$0	\$295,300
Clearwater	9,233	\$0	\$92,330	Pipestone	10,275	\$15	\$154,125
Cook	5,791	\$0	\$57,910	Polk	31,361	\$0	\$313,610
Cottonwood	12,669	\$10	\$126,690	Pope	12,293	\$20	\$245,860
Crow Wing	67,961	\$0	\$679,610	Ramsey	411,278	\$20	\$8,225,560
Dakota	388,218	\$10	\$3,882,180	Red Lake	5,049	\$0	\$50,490
Dodge	20,627	\$20	\$412,540	Redwood	17,254	\$20	\$345,080
Douglas	40,131	\$0	\$401,310	Renville	17,410	\$10	\$174,100

County	2020 Taxable Vehicle Counts	Current Tax 2022	Projected Estimated Revenue from Current Wheelage Tax OR \$10 for No-Tax Counties	County	2020 Taxable Vehicle Counts	Current Tax 2022	Projected Estimated Revenue from Current Wheelage Tax OR \$10 for No-Tax Counties
Faribault	15,903	\$10	\$159,030	Rice	55,804	\$20	\$1,116,080
Fillmore	22,099	\$20	\$441,980	Rock	10,304	\$10	\$103,040
Freeborn	29,644	\$15	\$444,660	Roseau	17,540	\$0	\$175,400
Goodhue	48,707	\$10	\$487,070	Scott	128,672	\$10	\$1,286,720
Grant	7,915	\$0	\$79,150	Sherburne	89,439	\$10	\$894,390
Hennepin	997,871	\$20	\$19,957,420	Sibley	16,154	\$10	\$161,540
Houston	18,991	\$10	\$189,910	St. Louis	177,983	\$0	\$1,779,830
Hubbard	21,280	\$0	\$212,800	Stearns	142,801	\$10	\$1,428,010
Isanti	40,030	\$10	\$400,300	Steele	35,163	\$20	\$703,260
Itasca	42,805	\$10	\$428,050	Stevens	9,663	\$15	\$144,945
Jackson	10,883	\$10	\$108,830	Swift	11,178	\$10	\$111,780
Kanabec	16,293	\$10	\$162,930	Todd	25,858	\$0	\$258,580
Kandiyohi	41,730	\$10	\$417,300	Traverse	4,387	\$0	\$43,870
Kittson	5,615	\$0	\$56,150	Wabasha	22,882	\$20	\$457,640
Koochiching	12,612	\$0	\$126,120	Wadena	15,443	\$0	\$154,430
Lac Qui Parle	8,094	\$10	\$80,940	Waseca	19,048	\$10	\$190,480
Lake	10,629	\$0	\$106,290	Washington	219,950	\$20	\$4,399,000
Lake of the Woods	4,425	\$0	\$44,250	Watonwan	11,639	\$15	\$174,585
Le Sueur	30,450	\$10	\$304,500	Wilkin	8,192	\$0	\$81,920
Lincoln	6,981	\$10	\$69,810	Winona	42,133	\$0	\$421,330
Lyon	23,886	\$10	\$238,860	Wright	131,939	\$0	\$1,319,390
Mahnomen	4,025	\$0	\$40,250	Yellow Medicine	11,927	\$0	\$119,270
Marshall	11,618	\$10	\$116,180	SUBTOTAL			\$71,157,770

 APPROVED
 NOT APPROVED

THANK YOU

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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 51 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 2021 Local Option Sales Tax Revenue					
Counties that Have Enacted the Tax					
County	Tax Rate	2021 Est'd Revenue	County	Tax Rate	2021 Est'd Revenue
Anoka	0.25%	13,471,971	McLeod	0.50%	2,664,809
Benton	0.50%	3,144,513	Mille Lacs	0.50%	1,784,494
Becker	0.50%	3,237,453	Morrison	0.50%	2,230,341
Beltrami	0.50%	4,303,862	Mower	0.50%	2,205,865
Blue Earth	0.50%	7,191,184	Nicollet	0.50%	1,744,954
Brown	0.50%	2,161,856	Nobles	0.50%	1,237,853
Carlton	0.50%	2,344,876	Olmsted	0.50%	15,027,612
Carver	0.50%	9,433,169	Otter Tail	0.50%	4,464,471
Cass	0.50%	2,833,277	Pine	0.50%	1,716,033
Chisago	0.50%	3,199,582	Polk	0.25%	963,600
Cook	0.50%	1,099,023	Ramsey	0.50%	41,675,687
Crow Wing	0.50%	8,508,215	Redwood	0.50%	1,031,632
Dakota	0.25%	19,090,306	Rice	0.50%	4,255,764
Dodge	0.50%	1,056,494	Scott	0.50%	12,070,943
Douglas	0.50%	4,188,911	Sherburne	0.50%	6,843,771
Fillmore	0.50%	1,105,926	Stearns	0.25%	7,110,643
Freeborn	0.50%	2,329,919	Steele	0.50%	3,309,025
Goodhue	0.50%	3,634,957	St. Louis	0.50%	17,214,692
Hennepin	0.50%	130,875,343	Todd	0.50%	1,104,132
Hubbard	0.50%	1,775,140	Wabasha	0.50%	1,132,659
Isanti	0.50%	2,940,157	Wadena	0.50%	951,293
Kanabec	0.50%	810,038	Waseca	0.50%	979,794
Kandiyohi	0.50%	3,731,121	Washington	0.50%	13,268,179
Lake	0.50%	1,037,610	Winona	0.50%	3,446,021
Le Sueur	0.50%	947,146	Wright	0.50%	10,692,678
Lyon	0.50%	10,653	County Total		\$ 393,589,647

Estimated Potential 2020 Revenue – County Local Option Sales Tax

All Counties – Based on Half-Cent Sales Tax

As indicated above and displayed in Table 2, 51 counties have enacted a local option sales tax that was effective in 2020. That means that 36 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 36 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.

Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax

Tax Enacted
Tax Not Enacted



County	2020 Taxable Sales	2020 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%); Counties w/ tax: from Table 2.	2022 - Estimate based on MMB statewide sales tax revenue projection 15% growth over 2020 (MMB Feb 22 Forecast)
Aitkin	\$132,303,807	\$661,519	\$760,747
Anoka	\$3,531,764,785	\$13,471,971	\$15,492,767
Becker	\$379,240,470	\$3,237,453	\$3,723,071
Beltrami	\$629,358,341	\$4,303,862	\$4,949,441
Benton	\$470,712,101	\$3,144,513	\$3,616,190
Big Stone	\$25,920,741	\$129,604	\$149,044
Blue Earth	\$990,608,945	\$7,191,184	\$8,269,862
Brown	\$282,313,251	\$2,161,856	\$2,486,134
Carlton	\$235,647,177	\$2,344,876	\$2,696,607
Carver	\$860,989,434	\$9,433,169	\$10,848,144
Cass	\$313,871,032	\$2,833,277	\$3,258,269
Chippewa	\$112,011,737	\$560,059	\$644,067
Chisago	\$325,830,956	\$3,199,582	\$3,679,519
Clay	\$422,356,027	\$2,111,780	\$2,428,547

**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	2020 Taxable Sales	2020 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%); Counties w/ tax: from Table 2.	2022 - Estimate based on MMB statewide sales tax revenue projection 15% growth over 2020 (MMB Feb 22 Forecast)
Clearwater	\$46,047,110	\$230,236	\$264,771
Cook	\$118,724,558	\$1,099,023	\$1,263,876
Cottonwood	\$67,166,524	\$335,833	\$386,208
Crow Wing	\$1,199,328,046	\$8,508,215	\$9,784,447
Dakota	\$5,204,951,269	\$19,090,306	\$21,953,852
Dodge	\$113,429,311	\$1,056,494	\$1,214,968
Douglas	\$605,593,623	\$4,188,911	\$4,817,248
Faribault	\$67,495,787	\$337,479	\$388,101
Fillmore	\$186,386,706	\$1,105,926	\$1,271,815
Freeborn	\$292,136,342	\$2,329,919	\$2,679,407
Goodhue	\$419,502,782	\$3,634,957	\$4,180,201
Grant	\$45,726,909	\$228,635	\$262,930
Hennepin	\$23,892,421,341	\$130,875,343	\$150,506,644
Houston	\$80,254,742	\$401,274	\$461,465
Hubbard	\$192,609,664	\$1,775,140	\$2,041,411
Isanti	\$464,505,749	\$2,940,157	\$3,381,181
Itasca	\$423,965,935	\$2,119,830	\$2,437,804
Jackson	\$70,316,876	\$351,584	\$404,322
Kanabec	\$79,175,064	\$810,038	\$931,544
Kandiyohi	\$590,790,507	\$3,731,121	\$4,290,789
Kittson	\$25,985,414	\$129,927	\$149,416
Koochiching #	\$98,290,068	\$491,450	\$565,168
Lac Qui Parle	\$29,406,460	\$147,032	\$169,087
Lake	\$102,299,229	\$1,037,610	\$1,193,252
Lake of the Woods	\$69,168,698	\$345,843	\$397,720
Le Sueur #	\$156,883,442	\$947,146	\$1,089,218
Lincoln	\$38,419,860	\$192,099	\$220,914
Lyon	\$342,047,176	\$1,710,236	\$1,966,771
Mahnomen	\$51,275,601	\$256,378	\$294,835
Marshall	\$48,588,273	\$242,941	\$279,383
Martin	\$168,647,256	\$843,236	\$969,722
McLeod	\$366,398,590	\$2,664,809	\$3,064,530
Meeker	\$205,812,055	\$1,029,060	\$1,183,419

**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	2020 Taxable Sales	2020 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%); Counties w/ tax: from Table 2.	2022 - Estimate based on MMB statewide sales tax revenue projection 15% growth over 2020 (MMB Feb 22 Forecast)
Mille Lacs	\$226,426,904	\$1,784,494	\$2,052,168
Morrison	\$251,021,061	\$2,230,341	\$2,564,892
Mower	\$258,656,940	\$2,205,865	\$2,536,745
Murray	\$45,520,311	\$227,602	\$261,742
Nicollet	\$187,776,718	\$1,744,954	\$2,006,697
Nobles	\$191,570,053	\$1,237,853	\$1,423,531
Norman #	\$38,541,934	\$192,710	\$221,616
Olmsted	\$2,012,565,781	\$15,027,612	\$17,281,754
Otter Tail	\$736,537,180	\$4,464,471	\$5,134,142
Pennington	\$173,273,560	\$866,368	\$996,323
Pine	\$167,274,019	\$1,716,033	\$1,973,438
Pipestone	\$63,098,318	\$315,492	\$362,815
Polk	\$190,305,240	\$963,600	\$1,108,140
Pope	\$76,622,070	\$383,110	\$440,577
Ramsey	\$6,137,036,887	\$41,675,687	\$47,927,040
Red Lake	\$30,049,563	\$150,248	\$172,785
Redwood	\$134,189,356	\$1,031,632	\$1,186,377
Renville	\$69,989,250	\$349,946	\$402,438
Rice	\$469,566,431	\$4,255,764	\$4,894,129
Rock	\$49,000,533	\$245,003	\$281,753
Roseau #	\$117,593,092	\$587,965	\$676,160
Scott	\$1,396,505,764	\$12,070,943	\$13,881,584
Sherburne	\$847,569,077	\$6,843,771	\$7,870,337
Sibley	\$45,038,935	\$225,195	\$258,974
St. Louis	\$2,397,521,147	\$17,214,692	\$19,796,896
Stearns	\$2,108,751,163	\$7,110,643	\$8,177,239
Steele	\$438,049,059	\$3,309,025	\$3,805,379
Stevens	\$115,241,857	\$576,209	\$662,641
Swift	\$73,041,892	\$365,209	\$419,991
Todd	\$92,725,676	\$1,104,132	\$1,269,752
Traverse	\$20,148,712	\$100,744	\$115,855

**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	2020 Taxable Sales	2020 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%); Counties w/ tax: from Table 2.	2022 - Estimate based on MMB statewide sales tax revenue projection 15% growth over 2020 (MMB Feb 22 Forecast)
Wabasha	\$113,397,830	\$1,132,659	\$1,302,558
Wadena	\$157,670,356	\$951,293	\$1,093,987
Waseca	\$108,335,703	\$979,794	\$1,126,763
Washington	\$2,607,698,156	\$13,268,179	\$15,258,406
Watonwan	\$58,622,936	\$293,115	\$337,082
Wilkin	\$17,942,133	\$89,711	\$103,167
Winona	\$383,274,553	\$3,446,021	\$3,962,924
Wright	\$1,343,107,933	\$10,692,678	\$12,296,580
Yellow Medicine	\$45,848,867	\$229,244	\$263,631

KEY:

	Tax Enacted
	Tax Not Enacted

Koochiching County (April 1, 2022), Le Sueur County (April 1, 2021), Norman County (July 1, 2022), Roseau County (Jan 1, 2022) have most recently adopted the local option sales tax. Limited revenue history, so 2021 estimate is based on half cent new revenue.

Source: Minnesota Department of Revenue, Tax Research Division, July 2022



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	2021 Revenue	County	2021 Revenue
Anoka	\$1,000,968	Kandiyohi	\$75,020
Beltrami	\$81,100	Otter Tail	\$104,760
Carlton	\$34,400	Ramsey	\$1,222,680
Carver	\$51,540	Scott	\$317,260
Dakota	\$1,424,620	St. Louis	\$418,220
Goodhue	\$124,320	Washington	\$400,560
Hennepin	\$2,613,260		

Source: Minnesota Department of Revenue Tax Research Division

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 2020 through November 2021. 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 2020, 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 2021, shown in Table 4 on the proceeding page.

Note: These are estimates and are provided for planning purposes only.

STATEWIDE ANALYSIS

County	Estimated 2021 Car & Light Truck Sales	Estimated Annual Revenue from \$20/Vehicle Excise Tax	County	2021 Car & Light Truck Sales	Estimated Annual Revenue from \$20/Vehicle Excise Tax
Aitkin	669	\$13,372	Martin	796	\$15,924
Anoka (1)	50,048	\$1,000,968	McLeod	1,425	\$28,502
Becker	1,362	\$27,234	Meeker	934	\$18,679
Beltrami (1)	4,055	\$81,100	Mille Lacs	1,001	\$20,020
Benton	1,346	\$30,213	Morrison	1,362	\$27,246
Big Stone	221	\$4,419	Mower	1,415	\$28,296
Blue Earth	2,167	\$43,332	Murray	366	\$7,325
Brown	1,035	\$20,691	Nicollet	1,076	\$21,529
Carlton (1)	1,720	\$51,540	Nobles	819	\$16,374
Carver (1)	2,577	\$34,400	Norman	275	\$5,506
Cass	1,119	\$22,376	Olmsted	5,329	\$106,582
Chippewa	484	\$9,673	Otter Tail (1)	5,238	\$104,760
Chisago	2,168	\$43,365	Pennington	529	\$10,590
Clay	1,990	\$39,802	Pine	1,130	\$22,591
Clearwater	342	\$6,835	Pipestone	383	\$7,651
Cook	222	\$4,438	Polk	1,144	\$22,880
Cottonwood	464	\$9,286	Pope	455	\$9,106
Crow Wing	2,640	\$52,793	Ramsey (1)	61,134	\$1,222,680
Dakota (1)	71,231	\$1,424,620	Red Lake	183	\$3,651
Dodge	790	\$15,794	Redwood	630	\$12,602
Douglas	1,540	\$30,800	Renville	618	\$12,355

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>

County	Estimated 2021 Car & Light Truck Sales	Estimated Annual Revenue from \$20/ Vehicle Excise Tax	County	2021 Car & Light Truck Sales	Estimated Annual Revenue from \$20/ Vehicle Excise Tax
Faribault	584	\$11,687	Rice	2,153	\$43,060
Fillmore	824	\$16,486	Rock	389	\$7,778
Freeborn	1,135	\$22,703	Roseau	656	\$13,121
Goodhue ⁽¹⁾	6,216	\$124,320	Scott ⁽¹⁾	15,863	\$317,260
Grant	275	\$5,506	Sherburne	3,478	\$69,560
Hennepin ⁽¹⁾	130,663	\$2,613,260	Sibley	592	\$11,849
Houston	733	\$14,667	St. Louis ⁽¹⁾	20,911	\$418,220
Hubbard	820	\$16,410	Stearns	5,545	\$110,891
Isanti	1,542	\$30,835	Steele	1,354	\$27,071
Itasca	1,660	\$33,200	Stevens	348	\$6,952
Jackson	400	\$7,992	Swift	394	\$7,889
Kanabec	623	\$12,450	Todd	988	\$19,766
Kandiyohi ⁽¹⁾	3,751	\$75,020	Traverse	149	\$2,977
Kittson	197	\$3,931	Wabasha	869	\$17,386
Koochiching	479	\$9,574	Wadena	586	\$11,713
Lac Qui Parle	290	\$5,792	Waseca	720	\$14,396
Lake	429	\$8,581	Washington ⁽¹⁾	20,028	\$400,560
Lake of the Woods	178	\$3,563	Watonwan	435	\$8,703
Le Sueur	1,145	\$22,890	Wilkin	284	\$5,680
Lincoln	253	\$5,056	Winona	1,646	\$32,924
Lyon	900	\$18,006	Wright	5,113	\$102,263
Mahnomen	148	\$2,967	Yellow Medicine	422	\$8,443
Marshall	401	\$8,022			
	301,834	\$6,039,969		169,166	\$3,383,311

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.

County	Net Tax Revenue (After 5% Admin Fee)	Distribution		
		County (42.5%)	City/Town (42.5%)	Reserve Fund (15%)
Becker	331,457	\$140,869	\$140,869	\$49,719
Benton	135,723	\$57,682	\$57,682	\$20,358
Big Stone	160,402	\$68,171	\$68,171	\$24,060
Carver	198,116	\$84,199	\$84,199	\$29,717
Chisago	114,808	\$48,793	\$48,793	\$17,221
Clay	413,789	\$175,860	\$175,860	\$62,068
Cottonwood	98,900	\$42,032	\$42,032	\$14,835
Dakota	1,378,996	\$586,073	\$586,073	\$206,849
Freeborn	90,655	\$38,528	\$38,528	\$13,598
Goodhue	168,637	\$71,671	\$71,671	\$25,296
Hennepin	196,713	\$83,603	\$83,603	\$29,507

Table 6: 2020 County Aggregate Tax

Table 6: 2020 County Aggregate Tax				
County	Net Tax Revenue (After 5% Admin Fee)	Distribution		
		County (42.5%)	City/Town (42.5%)	Reserve Fund (15%)
Kanabec	168,509	\$71,616	\$71,616	\$25,276
Kandiyohi	133,053	\$56,547	\$56,547	\$19,958
Kittson	23,877	\$10,148	\$10,148	\$3,581
Le Sueur	210,894	\$89,630	\$89,630	\$31,634
Marshall	32,645	\$13,874	\$13,874	\$4,897
Meeker	82,840	\$35,207	\$35,207	\$12,426
Mille Lacs	72,902	\$30,983	\$30,983	\$10,935
Nicollet	100,046	\$42,520	\$42,520	\$15,007
Norman	64,328	\$27,339	\$27,339	\$9,649
Pennington	47,274	\$20,092	\$20,092	\$7,091
Pipestone	19,187	\$8,155	\$8,155	\$2,878
Polk	196,692	\$83,594	\$83,594	\$29,504
Ramsey	56,358	\$23,952	\$23,952	\$8,454
Red Lake	21,372	\$9,083	\$9,083	\$3,206
Rice	76,899	\$32,682	\$32,682	\$11,535
Rock	137,916	\$58,614	\$58,614	\$20,687
Scott	255,365	\$108,530	\$108,530	\$38,305
Sherburne	632,070	\$268,630	\$268,630	\$94,811
Sibley	102,007	\$43,353	\$43,353	\$15,301
Stearns	518,675	\$220,437	\$220,437	\$77,801
Steele	133,267	\$56,639	\$56,639	\$19,990
Wabasha	152,942	\$65,000	\$65,000	\$22,941
Washington	384,765	\$163,525	\$163,525	\$57,715
Wilkin	7,111	\$3,022	\$3,022	\$1,067
Wright	331,452	\$140,867	\$140,867	\$49,718
Total	\$7,250,641	\$3,081,522	\$3,081,522	\$1,087,596

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) 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.
- 4) 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.

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.

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 2018-2021

City	Tax Rate	Year Imposed	2018	2019	2020	2021
Albert Lea	0.50%	2006	\$ 1,526,457	\$ 1,605,147	\$ 1,607,185	\$ 842,575
Austin	0.50%	2007	1,494,791	1,620,306	1,706,446	814,130
Avon	0.50%	2019	-	25,728	206,950	109,300
Baxter	0.50%	2006	2,572,469	2,685,015	2,867,237	1,488,891
Bemidji	0.50%	2006	2,473,903	2,587,708	2,678,259	1,453,564
Blue Earth	0.50%	2019	-	40,601	322,552	171,216
Brainerd	0.50%	2007	987,950	1,057,248	1,184,525	614,826
Cambridge	0.50%	2019	-	231,667	1,544,089	840,056
Clearwater	0.50%	2008	231,605	274,291	279,549	142,232
Cloquet	0.50%	2013	946,332	1,039,266	1,100,833	609,023
Detroit Lakes	0.50%	2019	0	240,455	1,650,332	896,161
Duluth	1.00%	1970	15,139,729	16,717,760	22,035,055	11,803,206
East Grand Forks	1.00%	2018	831,794	1,027,810	854,535	(5,995)
Elk River	0.50%	2019	-	429,783	3,005,423	1,588,987
Excelsior	0.50%	2019	-	79,350	717,437	412,799
Fairmont	0.50%	2017	737,304	905,993	963,823	516,331
Fergus Falls	0.50%	2012-2016*	1,191,244	1,346,150	1,424,260	742,165
Glenwood	0.50%	2020	-	-	210,722	138,184
GKWMLL Sanitary	1.00%	2018	170,491	186,102	223,645	139,175
Hermantown	0.50%/1.00%	2000/2013	3,032,741	3,117,105	3,375,669	1,779,603
Hutchinson	0.50%	2012	1,496,046	1,542,159	1,606,313	853,298
Int. Falls	1.00%	2019	-	161,656	1,035,914	499,103
Lake of the Woods	3.00%	2021	-	-	-	248,333
Lanesboro	0.50%	2012	56,545	56,251	64,811	29,342
Mankato	0.50%	1992	5,470,229	5,457,748	5,349,967	2,913,014
Marshall	0.50%	2013	1,448,495	1,535,398	1,452,783	839,962
Medford	0.50%	2013	146,504	193,596	159,847	98,407
Minneapolis	0.50%	1987	40,343,766	50,818,755	33,761,593	16,463,010
Moose Lake	0.50%	2017	227,643	234,868	258,871	134,607
New London	0.50%	2017	101,475	104,459	101,581	51,627
New Ulm	0.50%	2001	1,169,691	1,250,751	1,339,153	681,443
North Mankato	0.50%	2008	661,719	700,220	719,865	389,965
Owatonna	0.50%	2007-2011*	(45)	6	0	0
Perham	0.50%	2020	-	-	493,352	310,240
Proctor	0.50%/1.00%	2000/2017	489,792	405,936	439,357	197,959
Rochester	0.50%/0.75%	1993/2016	18,722,256	19,392,444	19,113,557	10,085,366
Rogers	0.25%	2019	-	161,847	1,170,907	662,430
Sauk Centre	0.50%	2020	-	-	485,935	293,013

Table 2. City General Sales & Use Taxes Total Collections
CY 2018-2021

City	Tax Rate	Year Imposed	2018	2019	2020	2021
Scanlon	0.50%	2020	-	-	37,770	26,666
Spicer	0.50%	2017	173,188	175,079	202,747	104,981
St. Cloud Area	0.50%	2003	10,699,467	11,325,991	11,157,393	6,099,963
St. Paul	0.50%	1993	19,525,456	19,992,107	18,399,339	9,148,626
Two Harbors	0.50%	1999	339,174	401,680	740,298	383,820
Walker	1.50%	2018	692,201	772,605	829,709	418,505
West St. Paul	0.50%	2020	-	-	1,520,100	903,250
Willmar	0.50%	2006-2012*/2019	312	331,073	2,113,890	1,160,753
Worthington	0.50%	2009-2019/2020	836,619	4,196	937,147	573,473
Virginia	1.00%	2020	-	-	1,860,856	1,113,067
City Total (excl. Refunds)			\$133,102,430	\$149,903,060	\$146,881,608	\$ 76,032,130
<i>City Refunds</i>			\$ (2,649,021)	\$ (3,147,146)	\$ (3,472,952)	\$ (1,181,972)



EVENTS/NETWORKING OPPORTUNITIES



Washington Fly-In

Brings Alliance members to Washington, D.C. for scheduled meetings with the Minnesota Congressional Delegation and with other transportation leaders. It's your opportunity to network and build support for additional federal funding for transportation projects in Minnesota.



Transportation Day at the Capitol

Brings members from across Minnesota to Saint Paul for a day spent advocating for transportation funding. Members spend time meeting with and hearing from key state legislators and visiting with colleagues from all areas of Minnesota's transportation community.



Annual Meeting/Construction Forecast

The Annual Meeting provides a venue for recognizing the great work done by our members as well as providing important information regarding upcoming projects and future funding levels.



Local/Regional Meetings

We meet with our members all across the state. We organize regional meetings with our members, local officials and state legislators to focus on the issues that are important in your part of the state.

Sign up to be an event sponsor at www.transportationalliance.com

Event sponsors are recognized and highlighted at all of our events and in our publications for one annual fee! Get your organization in front of the transportation world in Minnesota.

