

CITIZENS LEAGUE REPORT

No. 80

State and Local Taxes in Minnesota

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FACT AND FIGURES ON STATE AND LOCAL TAXES
IN MINNESOTA

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AND LOCAL TAXES IN
MINNESOTA

Taxation and Finance Committee
Citizens League of Minneapolis and Hennepin County

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FOREWORD

In relatively brief and simple language this booklet describes the principal features of Minnesota state and local taxes. Some who read it may think it too brief and oversimplified. Undoubtedly others will wish for even more brevity and greater simplification.

The drafting subcommittee hopes that despite shortcomings, inadequacies and errors, this booklet may stimulate lay interest and discussion of taxes. Because it is entirely factual (there are no opinions or recommendations in it) the booklet can be nothing more than a starting point for discussion and action. If it is used even for this, it will have served its intended purpose.

Your comments, criticisms and suggestions for improving the publication are respectfully solicited.

SUB COMMITTEE ON TAX SYSTEM BOOKLET

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TAXES ON PROPERTY

Taxpayers

Most owners¹ of land, buildings and other structures or improvements attached to land, (such property is called real property) and most owners¹ of other things that may be touched or otherwise perceived, seen, weighed, measured or estimated through the physical senses (this property is called tangible personal property) pay property taxes on what they own.

Computation

The amount of the tax is a sum of money determined by taking a specific percentage (called the tax rate) of the value of the taxable item (called tax base). The formula is: tax base (\$) x tax rate (mills) = tax (\$).

Tax base

In Minnesota, the property tax base is the assessed value of the item to be taxed. The law requires two steps in fixing assessed value.

Full and True value

1. The assessor must view and appraise each taxable item to determine what is called its "full and true value". This "full and true value", set for each article or parcel of property separately is that amount which the assessor believes the item is fairly worth in money. It is the usual selling price or market value of the item at the time and place of assessment -- the price at which it would be exchanged freely and voluntarily between willing

¹There are some exceptions. For example, railroad, telephone and telegraph utility companies pay special earnings taxes in lieu of property taxes. Also, some property is exempted from property taxes. Exempt property includes that devoted to public uses, such as public burying grounds, school-houses, hospitals, charities, and government buildings, and that owned and used by religious organizations for church purposes. There is also a partial exemption allowing up to \$100 worth of personal household good tax-free for each family or individual living alone.

buyers and sellers. Actually, tax assessors do not appraise full and true value as prescribed in the law. By custom they fix full and true value below actual full and true market value.¹

2. After the assessor appraises the "full and true value", he computes "assessed value" by taking a legally prescribed percentage of this "full and true value". This percentage varies, depending on what the taxable item is and how it is used. The law classifies all kinds of property to be taxed and sets the percentages to be used in converting "full and true values" into "assessed values". This table shows the current classifications and percentages.

<u>Property Classification and Description</u>		<u>Assessed values are _____ % of full and true values</u>
Class 1	Iron ore. mined or unmined	50%
Class 1a	Direct products of blast and open hearth furnances used in the form produced and not further processed	15%
	Low grade iron-bearing formations, depending on tonnage recovery (% of iron ore in deposits as extracted)	30-48½%
Class 2	Household goods, jewelry, clothing, musical instruments*	25%
Class 3	Business inventories and equipment, merchandise; manufacturers' materials; agricultural products not in hands of producers; tools and implements (except farm tools) used by owner; machinery; lumber; coal; logs; railroad ties; rural land other than homestead and timber land; and buildings assessed as property and located on government owned land; airflight property of commercial airlines.	33-1/3%

¹In Hennepin County, for example, full and true values fixed by the assessor vary widely (from less than 20% to more than 55% of actual market value in the instance of one out of every five properties, median 36%). Thus a taxable property worth \$10,000 in the market is valued at \$2,000 to \$6,500 for tax purposes.

*Because of the \$100 exemption per household or individual, the tax base for personal property tax, is assessed value less \$100. There is said to be a \$500 minimum in Minneapolis.

<u>Property Classification and Descriptions</u>		Assessed values are <u> </u> % of full and true values.
Class 3a	Agricultural products in the hands of producer	10%
Class 3b	Rural Homestead** up to \$4000.	20%
	" " over \$4000.	33-1/3%
Class 3c	Urban Homestead** up to \$4000.	25%
	" " over \$4000	40%
Class 3CC	Homestead** of disabled veterans up to \$8000	5%
	" of disabled veterans over \$8000	40%
Class 3d	Livestock, poultry, horses, mules, and asses used exclusively for agricultural purposes, all agricultural tools, implements and machinery used by the owner in agricultural pursuits.	20%
Class 3e	Rural land used exclusively for growing trees for timber, lumber, wood and wood products	20%
Class 4	All items not included in preceding classes	40%
No Class		
indicated	Electric transmission lines in rural areas	40%
	Electric retail distribution lines in rural areas	5%
	Petroleum refinery real property	27%
	" " personal property	17%

The tax rate is a %, usually expressed in mills (tenths of a

Tax rate

cent). For example, the 1957 state tax rate for non-homestead
and personal property is 8.50 mills (.0085) per dollar of
assessed value. Homestead rate is 3.81 mills. (.00381)

Thus the owner of a non-homestead property having an assessed
value of \$1,000 would pay a state property tax of \$8.50 (\$1000
x .0085 = \$8.50).

Taxing authorities other than the state of Minnesota (for example,
Hennepin County, Minneapolis School Board, Metropolitan Airports
Commission, etc) also set the levies which are applied to the
tax base to raise revenue they need. Here is a listing of the
components in the tax rate applicable to property in Minneapolis
in 1957.

** Homestead includes land and buildings or other improvements used by
the owner as his home or residence on May 1 of the assessment year.

<u>Purpose</u>	<u>Millage rate</u>
State of Minnesota (non homestead)	8.50
County of Hennepin	29.90
Minneapolis School Board:	
Operating	42.64
Bonds	6.90
Pensions	7.37
Airport and Housing	56.91
	3,285
Sub-Total	<u>98.595</u>
City Bonds & Interest (except Schools)	10.29
Pensions (except Schools)	7.625
City Council for general government, public safety, civil defense and streets	19.12
Welfare Board	14.80
Park, Library and other Boards	11.43
City Sub-Total	<u>63.265</u>
Total City, County, State and other local taxing authorities	161.86*

*This rate varies from year to year as budgets to be covered by tax revenues vary.

Tax rates of the 48 towns, villages and cities of the rest of Hennepin County commonly consist of state, county, school district and town, village or city rate. Some variations occur. For example, Hopkins is the only unit supporting its own library independent of the County library system and thus has a lower county rate.

Rate variations also occur among properties within the same municipality because of the fact that school districts are not coterminous with municipalities.

Procedure

All property is assessed for taxes as of May 1 - real property biannually in even numbered years and personal property annually. Newly platted or constructed real property is also listed and revalued or appointed in odd numbered years. Elected/city, county or township assessors do this work, using procedures and methods prescribed in an Assessors

Manual published every two years by the Minnesota State Department of Taxation. Collection and distribution of tax revenues in most cases is handled by the County Treasurer. The state uses its property tax revenues for the general purposes of government, state debt retirement, state employee and teacher pensions*, soldier's relief, and the University of Minnesota. Local units use their revenue for specific purpose for which levied.

*Minneapolis, St. Paul and Duluth (cities of first class) are not subject to state tax for teacher pensions, because they have their own pension systems.

MOTOR VEHICLE TAXES

Owners and drivers of motor vehicles used on the public highway pay two taxes or fees for their privilege. These are in lieu of all other taxes. Persons or firms which transport motor vehicles must obtain special registration, and motor carriers transporting persons or property for hire must also meet special requirements in addition to complying with the registration laws.

1. An annual registration fee paid for each vehicle by the owner. Fees vary according to class and size of vehicle. Classes of vehicles include passenger automobiles, farm and urban trucks, miscellaneous trucks and buses, motor carriers, inter-city buses, trailers and motorcycles. Each owner makes application to Secretary of State as soon as vehicle is operated in state and before January 10 each year thereafter. Fee accompanies application. There is also a surtax of 5% for interest and retirement of special bond fund for bridges on state highways.

Passenger car fees range from \$5 for a vehicle weighing less than 800 pounds to \$75 for one weighing 5000 pounds or more. These rates are scaled down on older vehicles in 3 year intervals to a flat minimum or 25% of the scheduled amount. A 25¢ surcharge is added to the scheduled fees, each year to cover the cost of reflectorized plates.

Trucks other than farm and urban are taxed on gross weight of vehicles and maximum authorized load. Farm and urban truck rates depend on unloaded vehicles weight - 60¢ per 100 pounds on farm trucks, 80¢ per 100 pounds on urban trucks. The rates decrease with vehicle age. Rates on commercial trucks range from \$25 for vehicle less than 3 tons to \$170 for vehicle weighing 14 tons or over, plus \$30 for each additional ton of gross weight. Tax rates are reduced after 3 years of vehicle life.

2. A chauffeur's or drivers license renewable each 4 years after original issuance on the Birthdate anniversary of the licensee. Application plus \$2.00 fee go through banks, court clerks, and other convenient outlets to State Commissioner of Highways.

Allocation of receipts from these sources is still to be decided by the legislature. See note on petroleum product taxes.

VESSEL TONNAGE TAX

In lieu of the general property tax, owners of vessels navigating international waters out of Minnesota pay a vessel tonnage tax. The tax on each vessel is \$50 plus 5¢ per ton of load-carrying capacity in excess of 1000 tons. For example, a ship with a load-carrying capacity of 900 tons would be taxed \$50, the minimum amount. An 1800-ton ship would be taxed \$90 ($50 + (800 \times .05)$). Revenue from this tax is distributed 80% to the county where the vessel has its home port (port of hail) and 20% to the state for general government expenses.

TAXES ON AIRCRAFT.

Owners of aircraft using Minnesota airports and airspace over Minnesota pay an annual registration fee in lieu of all other taxes on such property. Federal, state, local and foreign governments and owners who use Minnesota facilities only temporarily-less than 60 days per year - are exempt. Owners of commercial aircraft subject to flight property taxes in Minnesota are also exempt.

The base price of the aircraft, less depreciation of 10% for the second year and 15% for each subsequent year of aircraft life down to a minimum of 25% of base price, is the tax base.

1% of the tax base, or \$10, whichever is greater, is the amount of the tax.

Reports and fee payments are made to the Commissioner of Aeronautics as soon as aircraft is used in the state and by February 17 of each year thereafter. Proceeds of the tax go into the state airport fund.

GRAIN HANDLERS' TAX

Grain handlers pay a tax of 1/2 mill (\$.0005) per bushel on all wheat, soybeans, and flax, and 1/4 mill (\$.00025) per bushel on all other grains they handle in Minnesota. Such people as warehousemen, grain elevator operators, transportation companies and food processors - - that is, those who physically handle grain - - pay this tax and the same grain may be the basis for taxation of several taxpayers successively.

Farmers are exempted from this tax, and future contract traders, brokers and other who deal with but do not physically handle grain likewise pay no tax. This tax is in lieu of the general personal property tax. Total revenue goes to the county government for distribution on the same basis as the personal property tax.

CIGARETTE AND TOBACCO TAXES

There are 4 taxes or fees imposed on distributors and consumers of tobacco in Minnesota.

1. Cigarette distributors pay a tax on cigarettes they sell in Minnesota, based on the quantity and weight of the cigarettes -- 2 mills per cigarette weighing less than 3 pounds per thousand, and 4 mills per cigarette on all other sizes.
2. Cigarette consumers who buy cigarettes outside Minnesota for use in the state, pay a similar tax called a "use" tax in quantities greater than 200. This tax is intended to prevent avoidance of the sales tax by out of state purchasing.
3. Distributors of tobacco products other than cigarettes pay a tax based on the manufacturer's sales price of what they sell. The rate is 15%.
4. Cigarette and other tobacco product distributors also pay an annual license fee ranging from \$10 to \$100, depending on the nature of their distribution and the products they handle.

Distributors of cigarettes buy tax stamps from the Commissioner of Revenue at 4% discount (an allowance to cover expenses incurred in administering the tax) affix them to cigarette package, and recover full value from the consumer as part of the purchase price. Other distributors and users file reports and pay their taxes to the Commissioner on or before the 20th day of each month, also at 4% discount although no stamping is involved.

Collections from these taxes go to the state general revenue fund, except that 1/4 the cigarette tax proceeds are allocated to counties, cities, and villages on the basis of population of the preceding decennial census (supplemented by distribution on basis of special legislation covering newly incorporated units).

ALCOHOLIC BEVERAGE TAXES

Taxpayers

Manufacturers, wholesalers, retailers, and importers of liquor, wine and intoxicating malt beverages (beer) pay license fees and taxes for the privilege of doing this kind of business.

License Fees

Manufacturers, wholesalers and importers pay a license fee to the state. Fee amounts vary from \$25.00 to \$3,000 depending on nature of business and type of beverage handled. Retailers pay license fees to local government in counties, cities and villages. License fees vary in amount according to size of local government unit.

Normal Stamp Tax

All intoxicating beverages must be stamped before sold. State revenue stamps must be affixed to containers in amounts from 6 $\frac{1}{4}$ ¢ per miniature bottle to \$2.50 per gallon of distilled liquor of sparkling wines containing alcohol and \$2 per barrel of beer.

Surtax

In addition to the normal stamp tax, a 10% surtax is also payable through December 31, 1958. Stamps to cover this surtax must also be affixed to beverage containers before sale.

Procedure

Monthly reports of sales and inventories are filed with the Liquor Control Commissioner. License fees go to local general revenue funds where paid. Stamps are sold by the State Treasurer and receipts are apportioned between state and local government units. Local governments get 30% on the basis of population. The 10% surtax receipts go to the Veterans Bonus Fund.

TAXES ON PETROLEUM PRODUCTS

Distributors and users of petroleum fuel products pay 3 kinds of taxes in Minnesota:

1. 5¢ per gallon on petroleum fuels received to be used to propel aircraft and motor vehicles on public highways - chargeable to distributors, but eventually paid by users. Farm tractor fuels are exempt. Large volume users (50,000 or more gallons per year) receive rebates too.
2. An inspection fee of 1¹/₂¢ per 50 gallons of petroleum products received by distributors - paid by the distributors.
3. A \$100 per year distributor's license fee, paid by the distributor. (a \$3000 bond is also required of each distributor during the first year.)

Distributors make monthly reports to the Commissioner and pay the taxes and fees required. Distributors are later reimbursed by users who pay the 5¢ per gallon tax as part of purchase price of fuel.

Motor vehicle fuel taxes are to be allocated to state, county and local highway funds. (Formula adopted by legislature: 62% to state, 29% to county, and 9% to municipalities of over 5000 population.) Aviation fuel tax receipts go to the state airport fund.

INHERITANCE TAXES

Taxpayers

Anyone who inherits property in Minnesota or receives it from a Minnesota resident by law or by will pays a tax on what he receives. This tax also applies where the gift is made in contemplation of death, that is by a donor who believes he is about to die and prefers to make a gift while living rather than after he dies. The person receiving the property is the tax payer.

The amount of the tax is set by multiplying the tax base by the tax rate, as in the case of general property taxes.

Tax Base

The tax base is the full and true value in money of the property that passes to the recipient in excess of exemptions specified in the law. These exemptions include federal estate tax, certain charitable gifts, homestead passing to spouse up to \$30,000, life insurance issued by the United State government, other life insurance payable to named beneficiaries up to specified limits and personal exemptions of \$100 to \$10,000, the amount depending on the relationship between the giver and receiver.

Tax Rate

The specified tax rates vary from 1% - 60%, depending on the value of the property and the relationship between the giver and the receiver. The closer the relationship and the lower the value of the property, the lower the rate. The law also specifies that in no event will the amount of the tax exceed 35% of the full and true value of the property.

Procedure

Probate court procedures include necessary tax reporting. Taxes are collected by the county treasurer and revenue is distributed 20% to the county and 80% to the state general revenue fund.

ESTATE TAX

In addition to inheritance taxes charged to recipients of property passing by will or intestate law (law that distributes property for those who do not make a will), estates of Minnesota residents who die are subject to estate taxation. The federal government imposes a graduated tax of 3% to 77% on each net estate in excess of \$60,000. Federal law allows a deduction or credit of up to 16% of the federal tax for state estate and inheritance taxes chargeable to the estate. The Minnesota state tax law is designed to get this credit as revenue for Minnesota. The federal revenue collector pays the tax to the Minnesota Probate Court, which turns it over to the County Treasurer for distribution along with inheritance tax revenue.

GIFT TAX

Taxpayers

Those who give substantial gifts to others must pay a tax on those gifts. The gift tax law is a companion and quite similar to the inheritance tax laws. As in the case of inheritance taxes, the amount of tax is computed by multiplying the tax base by the tax rate.

Tax Base

The tax base is the full and true money value of the property given in excess of exemptions specified in the law. These exemptions include charitable gifts, an annual exclusion of \$3,000 to each donee, and aggregate gifts over a period of years to any one donee of \$250-\$10,000, the amount in any particular case depending on the relationship between the donor and donee.

Tax Rate

Rates vary from $\frac{3}{4}$ of 1% (.0075) to 45% (.45) depending on the value of the gifts and the relationship between the donor and the donee; the more remote the relationship and the larger the gift, the higher the tax rate. The law classifies degrees of relationship and rate graduations. 35% of the value of the gift is the maximum tax in any event.

Procedure

The donor files his return on or before March 15 to cover taxable gifts made during the preceding calendar year. The Commissioner of Revenue determines and assesses the tax, which must be paid to him within 60 days after notice of assessment. Distribution is 80% to the state general revenue fund and 20% to the county.

STATE INCOME TAX - INDIVIDUALS, ESTATES AND TRUSTS

Taxpayers

Every resident unmarried individual with gross income over \$1000, and every resident married individual or couple with gross income over \$2000 must file a tax return and pay a tax based on net income. Non-residents who work within the state 150 days or more during the year must also file and pay the tax on Minnesota earnings. Estates and trusts also pay net income taxes under this law.

Tax Base

The tax base, that is, total taxable income, includes all income received from all sources, less certain credits and deductions.

Tax Rate

The amount of the tax is fixed by taking a specific percentage of the tax base. This percentage varies according to amount of taxable income. It gets progressively greater by steps from 1% on taxable income up to \$1,000 to 10% on taxable income over \$20,000.

Credits and Deductions

The tax as computed on this base at these rates is reduced by specified credits. In case of individuals these credits vary in amount, according to the number of dependents and whether the tax payer is married or single, over or under 65 years of age, blind or sighted, or has a husband or wife over 65 or blind. The estate credit is \$10 and the trust credit \$5. Principal deductions are:

- (1) contributions to religious, charitable, educational, travel and literary organization (up to 20% of taxable income).
- (2) federal income and certain other state and federal taxes paid during the year.
- (3) interest on mortgage and installment loans.

- (4) auto license fees
- (5) Union dues and other expenses incurred as an employee in getting the income.
- (6) state gasoline taxes
- (7) medical and dental expenses including health and hospital insurance premiums.
- (8) telephone and telegraph taxes.
- (9) Contributions to political parties not to exceed \$100.
- (10) casualty and theft losses.

Surtax

An additional tax is paid by the income tax payer, along with his income tax:

A surtax (tax on a tax) of 10% of the income tax after allowable personal and dependent credits.

Procedure

By the 15th day of the 4th month after the end of each income year each taxpayer must file a return with the Commissioner of Revenue showing income received during the preceding year and pay at least $\frac{1}{2}$ the tax due. The taxpayer must pay any balance within 6 months of the required filing date. Income tax payments (normal and surtax) go to the Income Tax School fund.

STATE INCOME TAX - CORPORATIONS AND BANKS

Taxpayers

Every corporation and bank (except religious, charitable, educational, scientific, and literary organizations, and railroads and ore mining and processing businesses discussed elsewhere) must pay a tax for the privilege of doing business in Minnesota.

Tax Base

The base of this privilege (or excise) tax is net income. Taxable net income includes all income received during the year from all sources, less expenses incurred in producing that income and a \$500 credit. Income of companies doing business in other states as well as in Minnesota is apportioned so that Minnesota taxes only that part attributable to Minnesota operations. Alternate formulas based on Minnesota sales, payroll, and property value in proportion to total sales, payroll, and property value allocate income taxable in this state.

Tax Rates

The tax rate (a % of the tax base) varies according to the kind of business done. Banks pay 8% (which is in lieu of all other taxes except real property taxes). Other corporations pay 6%. Every organization filing a return must pay at least a \$10.00 annual minimum tax plus a flat \$5.00 annual filing fee.

In addition to the normal tax, all taxpayers must pay 2 temporary surtaxes.

Surtaxes

- a. 1% of the tax base on 1955 and 1956 incomes.
- b. 5% of the normal tax (.4% of the bank tax base and .3% of the other corporate tax base) on 1949 through 1958 incomes.

Procedures

Taxpayers file returns by 15th day of 3rd month after the end of the income year. At least $\frac{1}{2}$ the tax due must be paid by the

required filing date and the balance within 3 months thereafter. Normal tax including \$10 minimum tax revenue go to the income tax school fund. The 1% surtax goes to the general revenue fund. the \$5.00 filing fee and the veteran's compensation tax go to the bonus fund. Bank tax proceeds go to state and local units in the same proportions as personal property tax proceeds.

GROSS EARNINGS TAXES

Tax Base

All utilities* pay a tax on their gross earnings derived from business done in Minnesota. "Gross earnings" (the tax base) include all receipts from business done within the state, without reduction or credit for overhead or operating expenses. The term is synonymous with "gross receipts". Various accounting formulas are used to apportion the earnings of companies doing business in several states. This gross earnings tax is in lieu of property taxes for subject taxpayers. In the case of railroads the gross earnings tax is in lieu of the corporation income tax as well. The tax rates vary among classes of utilities; as follows:

Taxpayers

Railroads	5%	Telephone companies earnings from
Telegraph companies	6%	operations in rural areas, and in
Sleeping car Companies	6%	cities and villages under 10,000
Freight Lines	7%	4%
Express Companies	9%	Earnings from all other
		business
		7%

Tax Rates

Companies with gross earnings 30¢ per
less than \$1000 per year - subscriber

Procedure

Returns go to the Commissioner of Revenue at various dates, with payments to the State Treasurer for inclusion in the State general revenue fund.

*Commercial airlines and electric power and gas companies and bus and street railway companies are not included in this utilities gross earnings tax. Like other business, they pay property, income and other applicable taxes in Minnesota.

TAXES ON THE IRON MINING INDUSTRY

In addition to the property tax, the iron mining industry is subject to two special taxes, called "severance" taxes. They are an "occupation" tax and a "royalty" tax, and are in lieu of the corporate income tax.

Occupation tax

(1) An "occupation" tax is imposed for the privilege of mining or producing iron or other ores. The tax base is the assessed value of ore at the mouth of the mine less certain costs of production. Benefication expense, depreciation, labor costs, development cost, cost of supplies, royalties paid, miscellaneous expenses, and the land value property taxes paid are the allowable deductions. The effective tax rate is 13.65% -- 11% normal + 1% veterans bonus + 1.65% "Temporary" surtax (15% of 11% normal tax). A credit is provided in the case of high labor cost ore. Maximum credit is 6.2% of the tax excluding surtax.

Royalty Tax

(2) A "royalty" tax is imposed on leased land for permission to explore for, mine and take out iron ore. The tax is imposed on the land owner, but usually the lease requires payment by the mining company. The tax base is the royalties received under the lease. The rate is the same as that of the occupation tax, but there is no labor credit.

Taconite

Except for surface land value, taconite properties and facilities for mining and processing taconite are exempt from property taxes. An additional tax is levied on taconite and iron sulphides - 5¢ per ton of merchantable ore produced + 1/10 of 1% of the value per ton for each 1% of iron content above 55%. This special tax is

in lieu of all other taxes on taconite and iron sulphide mining and processing except the occupation and royalty taxes and surface land value property taxes referred to above.

Procedure

Taxpayers report to the Commissioner of Revenue by February 1 (royalty) and March 1 (occupation) each year, and the Commissioner determines and levies the taxes due from the reports filed.

Payments go to the state treasurer for distribution as follows:

1. Occupation tax --

- a. Normal tax and temporary surtax: 50% to general revenue fund, 40% to current operation of elementary and secondary schools, 10% to University of Minnesota for general use.
- b. Veterans bonus tax: to veterans adjusted compensation fund.

2. Royalty tax --

- a. Normal tax and temporary surtax: to general revenue fund.
- b. Veterans bonus tax: to veterans adjusted compensation fund.

TAXES ON INSURANCE COMPANIES

Taxpayer

Most insurance companies doing business in Minnesota pay a special premium tax in lieu of all other taxes except real property and income taxes. Domestic mutuals other than life and local town and farmers' mutuals, fraternal beneficiary associations, Blue Cross and Blue Shield are exempt.

Tax base and rate

Gross premiums less return premiums on all direct business except annuities written in Minnesota during the year comprise the tax base. The tax rate is 2%. Marine companies pay a 5% tax on underwriting profit attributable to the state in lieu of the 2% gross premium tax.

Other taxes

In addition to the gross premiums tax, companies writing fire insurance pay two additional taxes:

1. A fire marshal tax of 1/2 of 1% of gross fire premiums received on Minnesota business.
2. A firemen's relief fund tax of 2% of gross fire, lighting, and sprinkling leakage premiums received from business in municipalities maintaining or serviced on contract by an organized fire Department.

Procedures and distribution

Insurance premium tax paid is a credit against the corporate income tax, except for the 2% firemen's relief fund tax. Reports covering each calendar year are due at the Commissioner of Insurance office by March 1 of the following year. Gross premium and marine premiums taxes go to the state general fund. The special taxes are allocated to special funds for purposes levied. Fire Marshal tax receipts defray expenses of the State Fire Marshal's Office and receipts from the firemen's relief fund tax go to municipalities having such funds. The gross premium tax is deductible from the corporate income tax.

CORPORATION FEES

Tax payers

In addition to property, income and other taxes, business corporations pay a one-time fee for the privilege of doing business in Minnesota. Corporations formed under Minnesota law (domestic) pay a fee based on the amount of their authorized capital stock. The rate is \$50 for the first \$25,000 and \$1.00 for each additional \$1000 of par value. Companies formed outside Minnesota (foreign) pay \$100 plus additional amounts at the domestic rate on stock representing property and gross receipts in Minnesota. Domestic companies pay their fee at organization time, and later as due. Foreign corporations pay their fee when admitted to do business in Minnesota, and annually thereafter as due. Foreign corporations pay a \$10 filing fee with their annual report. Corporate business affairs calling for issuance or filing of documents under the law also require payment of service fees.

Fee amount

Procedure

MISCELLANEOUS REVENUE ITEMS

Miscellaneous minor taxes and fees yield small amounts of revenue in Minnesota. These include:

1. The mortgage registry tax - paid by the mortgagee to the county treasurer of the county where mortgaged real property is located. The tax base is the amount of the debt and the tax rate is 15¢ per \$100 or fraction thereof. No reports are required. Payment is made at the time the mortgage is made.
2. The oleomargarine tax - 10¢ per pound on all oleomargarine sold in the state. Producers affix stamps to margarine cases.
3. Fishing and hunting licenses.
4. Boxing exhibition admission tax.
5. Other licenses and permits.

Table 1

State of Minnesota

Tax receipts by all units of state and local government: 1956*
(000 omitted)

Tax	State	<u>Local government</u>					<u>Total state and local</u>	
		Counties	Cities and villages	Towns	School districts	Sub Total	Amount	% of total
Real and personal property	\$15,764	\$88,773	\$73,268	12,968	\$108,176	\$283,185	\$298,949	52.7
Gross earnings	27,142						27,142	4.8
Income	80,668						80,668	14.2
Iron Ore	34,707						34,707	6.1
Gasoline	57,492						57,492	10.1
Alcoholic beverage	15,329						15,329	2.7
Cigarette	11,709						11,709	2.1
Motor vehicle	32,503						32,503	5.7
Inheritance & gift	5,078						5,078	.9
Bank excise	2,143						2,143	.4
All others**	1,902						1,902	.3
	<u>\$284,438</u>	<u>\$88,773</u>	<u>\$73,268</u>	<u>\$12,968</u>	<u>\$108,176</u>	<u>\$283,185</u>	<u>\$567,622</u>	<u>100.0%</u>
Hennepin County (incl Mpls) portion of local taxes	Amount %	\$15,968 18.0	\$31,829 43.4	\$312 2.4	\$25,696 23.8	73,805 26.1		

* Property tax figures are levies collectible in 1956, except State's are actual collections. State receipts are for year ending June 30, 1956

** Unemployment taxes are really premiums on compulsory state - administered unemployment insurance. Paid by employers in Minnesota and totalling \$16,838,384 for the year ending June 30, 1956, these revenues are not included in these tabulations.

SOURCE: Quarterly Report of State Auditor, June 30, 1956, and Property Tax Abstract for Taxes levied in 1955 prepared by State Auditor.

Table 2

State Government Tax Receipts and Uses

Where they come from, how they are used.

Year ending June 30, 1956

(000 omitted)

<u>Tax</u>	<u>Amount</u>	<u>% of total</u>	<u>How proceeds are used</u>
Property	\$15,764	5.5	-General fund, debt retirement, state employees and teachers' pension, soldiers' relief, U of Minn.
Gross earnings	27,142	9.5	-General fund.
Mortgage registration	218	.03	-1/6 to state, 1/6 to county, 1/3 to city, village or town, 1/3 to school district (where collected)
Fire Marshal	172	.06	-To maintain state fire marshal office.
Fireman's relief	107	.04	-To firemen's relief funds in city where insurance property is located
Air carriers'	134	.05	
Income Tax-Indiv.	62,020	21.8)- Basic tax to income tax school fund. Head tax and surtax for payment of veterans bonus. Additinnal surtax to general fund. Bank tax to county, apportioned the same as personal property tax.
Income Tax-Corp.	18,648	6.6	
Gift	466	.16)- 20% to county, 80% to state
Inheritance	4,613	1.6	
Bank excise	2,143	.75	-To county where bank is located, apportioned to local units on basis of personal property tax.
Iron ore royalty	3,623	1.27	-All to general fund, Surtax for veterans bonus.
Iron ore occupation	30,994	10.9)- 50% to state general fund, 40% for current aids to public elementary and secondary schools.
Taconite occupation	90	.03	
Gasoline	57,492	20.2)- 10% to University for current use. Surtax for veterans' bonus
Alcoholic	15,329	5.39	
Cigarette	11,709	4.12	-New formula for distribution to be adopted by Legislature, Interim committee recommends 62% to state highway, 29% to counties, 9% to municipalities over 5,000 population
Tobacco products	1,021	.36	-Partially apportioned back to local units based on population, remainder to general fund.
Vessel tonnage	12	-	-Surtax goes to bonus fund
Motor vehicle	32,503	11.43	-1/4 to counties, cities, villages according to population, 3/4 to general fund
Aircraft License	52	.02	-General fund.
Boxing exhibition	5	-	-80% to county wherein port of hail is located
Oleomargerine	181	.06	20% to state.
T otal	\$284,438	100.00%	-New formula to be adopted by legislature. See note on gasoline tax above.
			To Airport fund

SOURCE: Quarterly Report of State Auditor, June 30, 1956

Table 3

Hennepin County Property Tax Receipts and Uses

1956

(000 omitted)

<u>Fund</u>	<u>Amount</u>	<u>% of fund's total receipts</u>	<u>Use</u>
County Revenue (general)	\$5,220	70.5	-- Courts, roads, and bridges, Sheriff, home, school, general administration
Municipal Bldg	458	98.1	-- Maintaining, renovating court house
Glen Lake San	2,519	79.6	
County Welfare	6,813	35.7	-- Old age assistance, aid to dependent children, aid to blind, aid to disabled, child welfare programs
	<u>\$15,010</u>	<u>50.0</u>	

Table 4

Minneapolis City Property Tax Receipts and Uses

1956

(000 omitted)

<u>Fund or group of Funds</u>	<u>Amount</u>	<u>% of fund's total receipts</u>	<u>Use</u>
City Council Operating funds	\$7,015	53.4	-- Fire, police, garbage collection, engineering, municipal court, over- head functions
Park	1,906	90.5	
Library	1,615	95.2	
Public Welfare	5,324	80.1	-- Hospital, health, direct relief, work- house
Municipal bldg	400	98.8	-- Maintaining, renovating City Hall
School operations	13,545	60.5	
Estimate and Taxation	23	95.8	
Metro Airports Comm	137	99.0	-- City's tax share of airport operation and maintenance (shared with St. Paul)
Armory	14	99.3	
City Pension	3,271	99.3	-- City's share of pension (employee contributions not figured in)
Teacher Pension	2,126	99.3	
Debt Principal and interest	6,123	96.9	
	<u>\$41,500</u>	<u>71.3%</u>	

SOURCE: Hennepin County Auditor's Financial Statement, 1956; Minneapolis Comptroller's Report, 1956