

## **Supplement to the 2000 Edition of the Minnesota Tax Handbook**

This supplement to the 2000 Edition of the Minnesota Tax Handbook contains the major tax law changes enacted in the regular and first special sessions of the 2001 Minnesota Legislature. The page references are to the 2000 Edition. Also included in this supplement are the current rates for the major state taxes, the property tax class rates for taxes payable in 2002, and state tax collections for fiscal year 2001.

The 2000 Edition of the Minnesota Tax Handbook can be found on the Department of Revenue web site at <http://www.taxes.state.mn.us/polic.html>

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Tax Research Division  
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### **History of Major Changes**

#### **Individual Income Tax, Page 7**

- 2001 – K-12 education credit reduced from 100% to 75% of expenses, effective tax year 2002.
- Active duty military personnel stationed outside Minnesota considered nonresidents.

#### **Corporation Franchise Tax, Page 13**

- 2001 – Exempted insurance companies.
- Exempted S corporation banks and repealed corresponding 80% credit for shareholders.

#### **General Sales and Use Tax, Page 20**

- 2001 – Repealed June accelerated payment, effective June 2003.
- Tax extended to additional telecommunications services; telecommunications equipment exempted.
- Adopted streamlined sales tax provisions.

#### **Motor Vehicle Sales Tax, Page 22**

- 2001 – Extended exemption to all vehicles used to provide transit services.

**Mortgage Registry Tax, Page 33**

- 2001 – Changed liability for the tax from the mortgagee (lender) to the mortgagor (borrower).
- Removed exemption for fraternal benefit societies.
  - Exempted certain agricultural loans.

**Insurance Premiums Taxes, Page 42**

- 2001 – Extended exemption for health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks for one year to 2003.

**MinnesotaCare Taxes, Page 46**

- 2001 – Rate reduced to 1.5% for 2002 and 2003; goes back to 2% thereafter.
- Exempted adult day care centers.

**Solid Waste Management Taxes, Page 57**

- 2001 – Use tax imposed.

**General Property Tax, Page 65**

- 2001 – Class rates reduced for most types of property, including 2<sup>nd</sup> tier of homesteads, commercial, industrial, apartments, and cabins.
- Brackets changed for homesteads and cabins.
  - State-determined general education levy eliminated.
  - Agricultural and seasonal recreational property exempted from school district referendum levies.
  - A new state general property tax levied on commercial, industrial, and seasonal recreational property.
  - Education homestead credits eliminated, and market value credits established for residential and agricultural property.
  - Limited market value set to phase out over the next six years.

**Rates of Major State Taxes  
As of December 31, 2001**

**Individual Income Tax: Tax Year 2002**

**Rates and Taxable Income Brackets**

	<u>5.35% up to</u>	<u>7.05%</u>	<u>7.85% over</u>
Married Joint	\$27,350	\$27,351 - \$108,660	\$108,660
Married Sep.	\$13,680	\$13,681 - \$54,330	\$54,330
Single	\$18,710	\$18,711 - \$61,460	\$61,460
Head of Hshld.	\$23,040	\$23,041 - \$92,560	\$92,560

**Corporation Franchise Tax:** 9.8%

**General Sales and Use Tax:**

General rate	6.5%
Liquor and beer, on-sale and off-sale	9.0%

**Motor Vehicle Sales Tax:** 6.5%

**Motor Fuels Excise Taxes**

Highway fuels:	20¢ per gallon
Aviation fuels:	0.5¢ - 5¢ per gallon
Other rates apply to LPG, LNG, and CNG	

**Alcoholic Beverage Taxes**

Distilled spirits:	\$5.03 per gallon
Beer: more than 3.2%	\$4.60 per barrel
3.2% or less:	\$2.40 per barrel
Wine:	
\$.30 - \$3.52 per gallon	

**Cigarette Tax:** 48¢ per pack of 20 cigarettes

**Tobacco Products Tax:** 35% of wholesale price

**Mortgage Registry Tax:** 0.23% of principal debt

**Deed Transfer Tax:** 0.33% of consideration

**Motor Vehicle Registration Tax:** \$10 plus 1.25% of base value based on age for passenger cars, pickup trucks, and vans. Maximum tax of \$189 for first renewal period and \$99 for subsequent ones. Trucks, tractors, and buses based on type, weight, and age of the vehicle.

**State General Property Tax:** for taxes payable in 2002, 57.933% of the net tax capacity of commercial, industrial, and seasonal recreational property.

**Class Rates for Major Classes of Property Tax  
Taxes Payable in 2002**

<u>Class and Type of Property</u>	<u>Net Class Rate</u>
<b>1a Residential homestead</b>	
First \$500,000 market value (MV)	1.0%
Over \$500,000 MV	1.25%
<b>1b Homestead of blind or disabled</b>	
First \$32,000 MV	0.45%
Excess is Class 1a or 2a	
<b>1c Small homestead resorts</b>	1.0%
<b>1d Seasonal farm worker housing - same as Class 1a</b>	
<b>2a Agricultural homestead</b>	
House, garage, and one acre - same as Class 1a	
Remaining land:	
First \$600,000 MV	0.55% <sup>a</sup>
Over \$600,000 MV	1.0% <sup>a</sup>
<b>2b Nonhomestead agricultural land; timberland</b>	1.0% <sup>a</sup>
<b>3a Commercial and industrial, utility real property</b>	
First \$150,000 MV	1.5% <sup>b</sup>
Over \$150,000 MV	2.0% <sup>b</sup>
Utility personal property	2.0% <sup>b,c</sup>
<b>3b Employment property – same as Class 3a</b>	
<b>4a Apartments, 4 or more units; private hospitals</b>	1.8%
<b>4b Residential and farm nonhomestead, 2-3 units</b>	1.5%
<b>4bb Residential or farm nonhomestead, 1 unit</b>	
First \$500,000 MV	1.0%
Over \$500,000 MV	1.25%
<b>4c Commercial seasonal recreational residential</b>	
First \$500,000 MV	1.0% <sup>b</sup>
Over \$500,000 MV	1.25% <sup>b</sup>
<b>Post-secondary student housing</b>	1.0% <sup>a</sup>
<b>Manufactured home parks</b>	1.5%
<b>Noncommercial seasonal recreational residential</b>	
First \$500,000 MV	1.0% <sup>a,b</sup>
Over \$500,000 MV	1.25% <sup>a,b</sup>
<b>4d Qualifying low-income rental housing</b>	0.9%
<b>5 Unmined iron ore and low-grade iron ore</b>	2.0% <sup>b</sup>
<b>All other property</b>	2.0%

<sup>a</sup>Exempt from school district referendum levies.

<sup>b</sup>Subject to state general property tax.

<sup>c</sup>Electric generating public utility machinery exempt from state property tax.

**Minnesota State Tax Collections Fiscal Year 2001  
All Funds - Net After Refunds**

	<u>FY 2001 Collections</u>	
	<u>Amount</u>	<u>% of Total</u>
	(000's)	
Individual Income	\$5,915,391	44.93%
Income Tax Reciprocity	42,610	0.32
Corporation Franchise	729,075	5.54
Estate	53,357	0.40
General Sales & Use	3,762,460 <sup>a</sup>	28.58
Motor Vehicle Rental	12,678	0.10
Motor Vehicle Sales Tax	545,472	4.14
Motor Fuels Excise	609,382	4.63
Alcoholic Beverage	60,962	0.46
Cigarette	169,670	1.29
Tobacco Products	16,128	0.12
Controlled Substances	67	<sup>b</sup>
Mortgage Registry	88,231	0.67
Deed Transfer	71,097	0.54
Lawful Gambling Taxes	56,507	0.43
Pari-mutuel	1,132	0.01
Insurance Premiums	186,724	1.42
Health Care Surcharges	128,729	0.98
MinnesotaCare Taxes	174,082	1.32
Mining Occupation	1,147	0.01
Motor Vehicle Reg.	465,793	3.54
Airflight Property	8,844	0.07
Aircraft Registration	6,173	0.05
Rural Electric Co-ops	50	<sup>b</sup>
Solid Waste Assessments	53,993	0.41
Hazardous Waste	1,383	0.01
Metropolitan Landfill	<u>3,740</u>	<u>0.03</u>
Total	\$13,164,877	100.0%

<sup>a</sup>Before reduction for the \$791 million sales tax rebate.

<sup>b</sup>Less than .005%