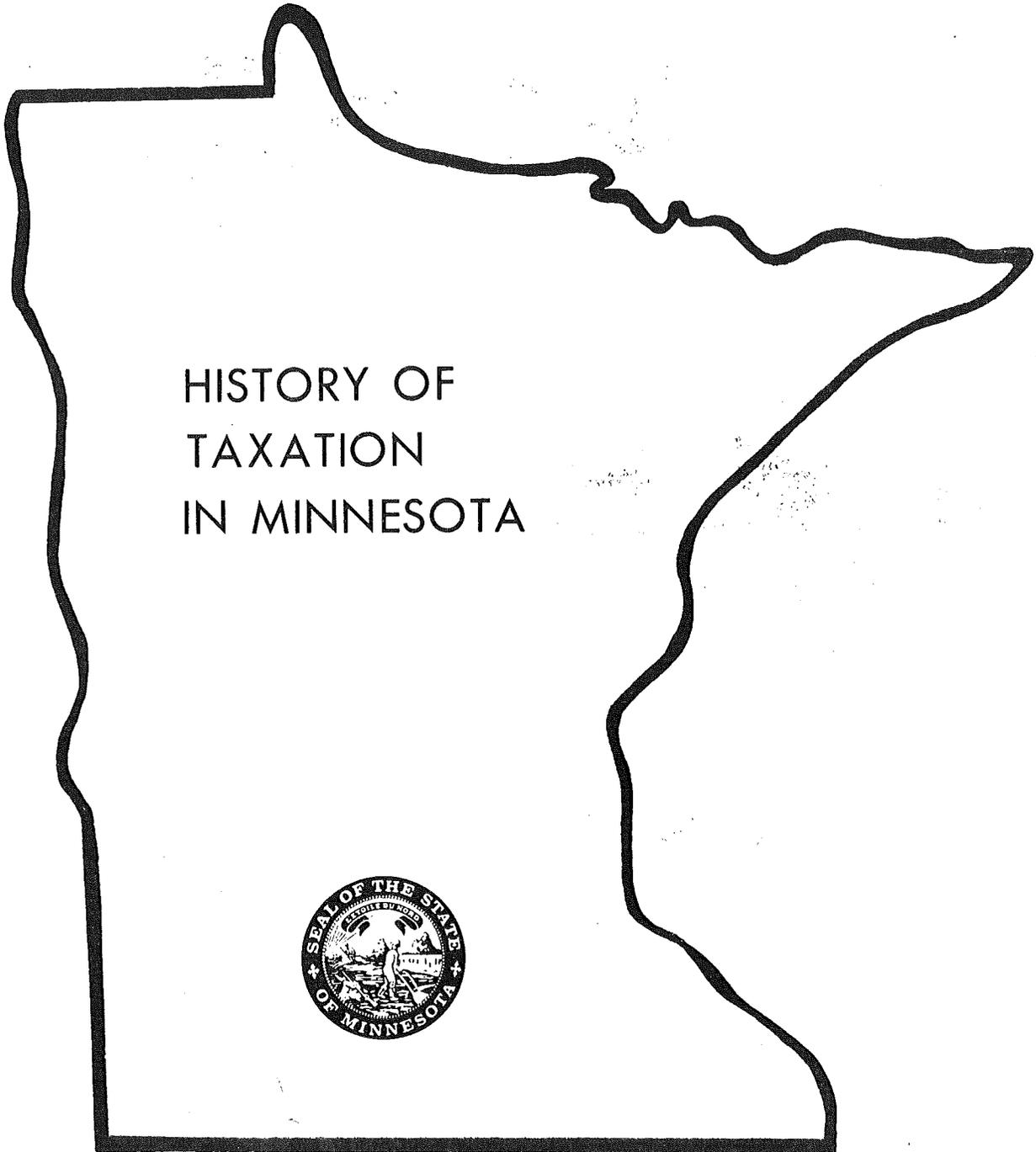


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SEPTEMBER 1979

HISTORY OF TAXATION IN MINNESOTA

Kathleen A. Gaylord
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September 1979

**Staff Research Report
2nd Edition, Revised
September 1979**

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INTRODUCTION

The Tax Study Commission has attempted to provide a concise history of the major taxes in Minnesota. Its purpose is not to write a definitive history but rather to provide a document that will serve as a reference guide to the development of the state's revenue system.

The three sets of tables prepared by the Commission identify action taken by the legislature since 1858. The tables are the fundamental reference guide. The text serves as a supplement providing additional detailed material and citations to major tax laws.

For convenience, the history of Minnesota taxation has been divided into three periods:

- Development of the Property Tax - Statehood to 1920.
- The Enactment of the Income Tax as One Source of Replacement Revenue - 1920 - 1956.
- The Growth of Major Property Tax Relief Measures - 1956 - 1979.

The early period emphasizes the development of the property tax from a general tax into a classified system.

The period from 1920 - 1956, outlines the expansion of the classified property tax and the beginning of property tax relief measures. This period also describes the increased pressure for replacement revenue caused by the high cost of relief and the growth of property tax delinquency during the Depression. The Income Tax Act enacted in 1933 is traced through 1956 when it began to replace the property tax as the major source of revenue.

In the recent period from 1956 - 1978, major emphasis is focused on the continuing, but intensified measures to provide property tax relief. During this period the income and sales taxes became the major sources of revenue to fund new property tax relief measures, such as the homestead credit and the circuit breaker.

We begin with a brief overview of Territorial taxation.

TERRITORIAL TAXATION

The Territorial Government of Minnesota, created through the Organic Act in 1849, had to rely initially on appropriations from Congress for its operating revenue. Section II of the Organic Act provided an amount to be expended annually to defray the expenses of the assembly. However, Congress neglected to write an appropriation into the Organic Act; consequently, the first appropriation to the territory of Minnesota was an amendment for \$19,300 to a private bill concerning a War of 1812 veteran.¹

The most important measure to be adopted in 1849 by the first territorial assembly was the act to "establish and maintain common schools."² The act also provided for the first property tax levy.

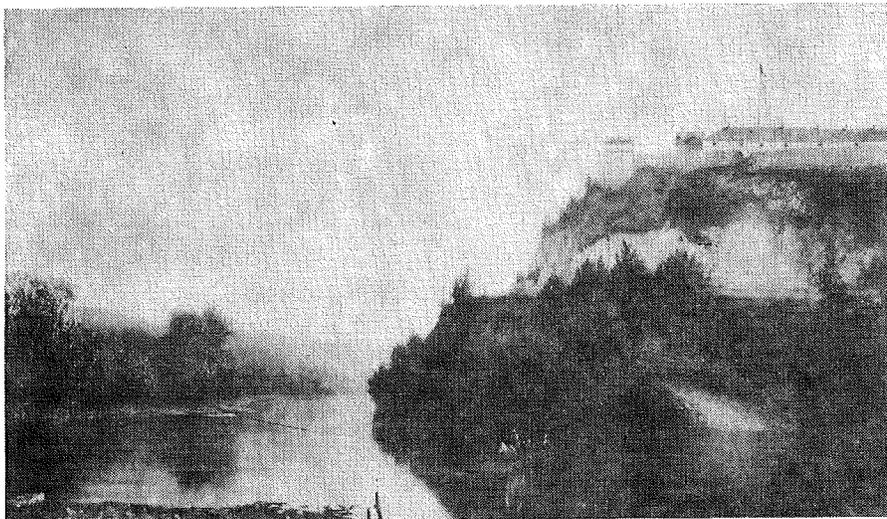
"Section 2 - It shall be the duty of the county commissioners to lay an annual tax of $\frac{1}{4}$ of 1% on the ad valorem amount of the assessment roll made by the county assessor..."³

The territorial legislatures during the 1850's were primarily responsible for setting up the government from the creation of counties and Boards of Commissioners with the responsibility for determining tax rates to the incorporation of towns, cities and schools. The territorial legislatures were also responsible for ferry and railroad charters.

The need for raising revenue was not a pressing problem during the territorial period. Some revenue was raised through various license taxes. In 1849, a fee of between \$100 and \$200 to be determined by the County Board was placed on all grocers.⁴ In 1851, a similar fee was placed on establishments that dispensed "spiritous liquors" and could range from no less than \$20 to no more than \$50.⁵

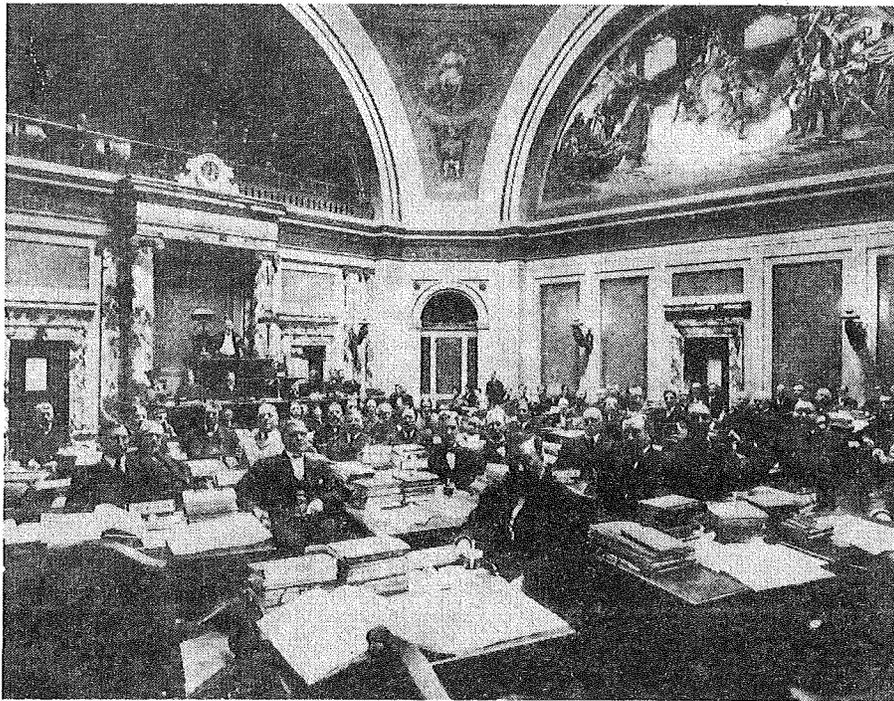
During the nine years Minnesota was an organized territory, the costs of running its government were incurred by Congress. While these appropriations were not substantial, the sentiment in Washington was that well populated territories should begin to pay their own expenses. In 1856 Congress reversed its strong opposition and became willing to allow statehood for Minnesota.

With statehood came the broad power to tax and the ability to borrow. What the new state of Minnesota did with that power over the next 120 years can be seen in the following chapters.



FORT SNELLING – 1800's
Courtesy: Minnesota Historical Society

CHAPTER I — STATEHOOD TO 1920
DEVELOPMENT OF THE PROPERTY TAX



MINNESOTA SENATE — 1905
Courtesy: Minnesota Historical Society



Minnesota became the 32nd state to enter the Union on May 11, 1858. Between 1858 and 1920, three major trends developed in Minnesota taxation. Those three trends were:

- The change from a general to a classified property tax.
- The rise of gross earnings as a primary source of revenue.
- The introduction of a graduated inheritance tax.

In 1858, the state constitution provided that all taxes on property should be uniform and equal. The first tax levied was a property tax of five mills against all property to defray the expenses of the state. Difficulties in assessment procedure and inexperienced assessors quickly led to inequities and in 1860 the State Board of Equalization was created.

The State Board of Equalization, however did not go far enough in correcting inequities in assessment practices. Assessors were forced to rely on values suggested by the taxpayer for setting an assessor's value on the property. Failure to place a true value on property resulted in divergent assessments in the various districts. In many cases assessors would fail to value all property, resulting in inequity affecting the entire state. This was due primarily to the undervaluation of property.

To compensate for the high rate of tax delinquencies caused by these inequities in assessment practices, Governor Ramsey cut the salaries of state officials, reduced the size of the legislature and submitted a constitutional amendment to cut the length of legislative sessions to 60 days. These measures cut state expenses by 36% and in 1862 the general property tax levy

was reduced to 4 mills.⁶ In order to supplement the property tax revenue, the legislature adopted the poll tax in 1863 that "assessed a one dollar tax upon every white male inhabitant or legal voter above the age of 21 except soldiers" rather than increase the property tax levy.⁷

Uniform assessment was the major goal throughout the late 1800's. The real impetus for improvements in the assessment of the general property tax however came with the passage of the "Wide-Open" tax amendment in 1905.⁸ This key amendment removed all restrictions on the legislature's power of taxation, except for the requirements that taxes be uniform on the same class of subjects, that taxes be for public purposes, and that certain property be exempt from taxation. Specifically, the amendment removed the constitutional restriction that "all taxes...shall be as nearly equal as may be" and that they be "equal and uniform throughout the state." Removal of this restriction made possible the classification and separate taxation of property according to the "uses to which it is put, its productiveness and desirability in a public sense."⁹ The first changes were the 1907 adoption of the Mortgage Registry Tax followed in 1911 with the enactment of the Money and Credits Tax which placed special property taxes on debts and money.

The classification system as we think of it today was first formulated in 1913 when the Legislature devised four classes of property:

CLASS I - Iron ore mined or unmined assessed at 50% of full and true value.

CLASS II - Household goods and personal effects assessed at 25%.

CLASS III - Unplatted real estate, livestock, farm produce; inventories and manufacturers' tools assessed at 33-1/3%.

CLASS IV - All other properties - primarily urban realty assessed at 40% of full and true value.

In 1916 the Minnesota Tax Commission, in evaluating the classification system, concluded that the new law "legalized the illegal system of undervaluation". However, by fixing the percentages by statute rather than through the "caprice of the assessor", the classification system resulted in uniformity and equality.¹⁰

The general property tax, which was the main source of revenue in 1869 and amounted to only \$655,985, had grown to \$109,272,571 by 1920.¹¹ Two other taxes, gross earnings and inheritance, were also considered to be major segments of the state's early revenue system.

GROSS EARNINGS

The development of gross earnings taxation, especially of railroads, began a year prior to Minnesota statehood. In 1857, the act incorporating the Minnesota and Pacific Railroad Company imposed a gross earnings tax of 3% on the company in lieu of all state and local taxes and assessments.¹² This tax was levied in consideration of land grants to the company which were to be exempt until the land was sold. Other railroads were given similar exemptions. However, railroads incorporated without land grants were required to pay the property tax.

In 1873, the St. Paul, Stillwater and Taylors Falls Railroad Company was exempted from property taxation and assessments by agreeing to pay a tax of 1% of its annual gross earnings for three years, 2% for the next seven years and 3% thereafter.¹³ Other railroads could elect to come under this law by an act passed in the 1873 session of the Legislature.

By 1887, all railroads were required to be taxed on their gross earnings in lieu of other taxes and assessments. The tax rate remained at 3% until 1903 when the Legislature raised the rate to 4%. Under a constitutional amendment which passed in 1871, however, any raise in the railroad gross earnings tax rate had to be ratified by a majority of the voters. As a result the 1903 law did not become effective until 1905 when the measure was ratified by the voters.

The Minnesota Tax Commission in 1912 recommended the rate be increased to 5% so that railroad and other property would be taxed on a more equal basis. That increase was enacted in 1913.

Application of the gross earnings tax to other companies such as express, telephone, sleeping car, and freight lines increased the revenues. In 1865, gross earnings tax collections from railroads amounted to \$4,550 and by 1920 the revenue from all companies amounted to \$10,828,277.¹⁴

INHERITANCE TAX

Between 1865 and 1901 several inheritance tax laws were enacted. Each, however, was ruled unconstitutional under the equal and uniform provision because they distinguished between types of heirs. In 1905, the Legislature passed an inheritance tax on bequests over \$10,000. The rates were graduated

from 1.5% on inheritances of less than \$50,000 to 5% on inheritances over \$100,000. There was no distinction between classes of heirs and the tax was found to be constitutional.

The "Wide-Open" amendment approved by the voters in late 1906 allowed the distinction to be made between heirs. In 1911, the Legislature made changes recommended by the Tax Commission that provided exemptions of \$10,000 for the wife, husband or child of the decedent, \$3,000 for a lineal ancestor, \$1,000 for a sister, brother, wife of son, or husband of daughter, \$250 for a brother or sister of father or mother and \$100 for any other person. The rates were graduated from 1-20%, according to the amount of the bequest and the relationship to the decedent.¹⁵ No other changes occurred until the 1930's.

Table I traces the changes in property, gross earnings and inheritance taxes between 1858 and 1920.

TABLE I
HISTORY OF TAXATION IN MINNESOTA - 1858 - 1920

YEAR	PROPERTY	GROSS EARNINGS	INHERITANCE
1858	General Property Tax - 5 mills All property to be assessed at 100% of Market Value.		
1860	State Board of Equalization created.		
1862	General Property Tax reduced to 4 mills.		
1867	Telegraph companies - /mile in lieu of Property tax.		
1868		2% Gross Premiums on foreign insurance companies.	
1869	Constitutional Amendment - Municipalities may levy for local improvements.		
1871		Constitutional Amendment - Gross earnings rate change on railroads must be ratified by majority of voters.	

TABLE I - Continued

YEAR	PROPERTY	GROSS EARNINGS	INHERITANCE
1872		All insurance companies required to pay 2% of gross premiums.	
1873 <i>(special session)</i>		Gross earnings on railroads 1-3% graduated by age of railroad.	
1878	Assessment procedures strengthened by requiring assessors to meet and confer with auditors. Joint stock land bank tax.		
1881 <i>(special session)</i>	Tonnage tax of 1¢ imposed on iron ore. Telephone and telegraph to pay property tax - 14 mills.		
1885			Inheritance law passed - declared unconstitutional in 1896.
1887		Telephone & telegraph companies 2% of gross earnings - 3% uniform rate on railroads.	
1891	Taxation of telegraph companies changed to property tax.		

TABLE I - Continued

YEAR	PROPERTY	GROSS EARNINGS	INHERITANCE
1893			Constitutional Amendment passed to permit inheritance taxes.
1895	Vessel Tonnage Tax - 3¢		
1896		Constitutional Amendment - 4% gross earnings on freight, telephone & sleeping car companies.	
1897	1¢ iron ore tonnage tax repealed, ad valorem tax imposed. Motor Vehicles taxed 1/20 mill.	3% rate telephone, express & sleeping car companies. 2% of property of capital stock owned and used in Minnesota by freight lines (declared unconstitutional 1902).	2nd law/declared unconstitutional/1900.
1901			3rd law/declared unconstitutional/1902.
1905	← "WIDE-OPEN" AMENDMENT →		
1905	Motor vehicles tax ½ mill.		Inheritance tax adopted. Rates graduated 1.5% < \$50,000 to 5% > \$100,000.
1907 <i>(Permanent Tax Commission created)</i>	Mortgage Registry Tax.	4% - Freight car companies.	

TABLE I - Continued

YEAR	PROPERTY	GROSS EARNINGS	INHERITANCE
1909	Bushel Tax - ½ mill wheat; 1/8 mill all other grains.		
1911	3 mill money & credits tax. Motor vehicles tax - 1 mill.	6% - Freight car companies.	Changes in rates and exemptions provided. Exemptions of \$10,000 for spouse to \$100 for non-relative. Rates of 1% < \$15,000 to 20% > \$100,000, depending on relationship of heir.
1913	Property tax classification system adopted. Class I - 50% of FTV Class II - 25% of FTV Class III - 33-1/3% of FTV Class IV - 40% of FTV	5% - Railroad companies 8% - Express car companies. 5% - Sleeping car companies.	
1915		Fire Marshall Tax - 3/8% of gross premiums of insurance companies. 5% - Trust companies not doing banking business.	
1919	Vessel Tonnage Tax increased to 5¢/ton.		

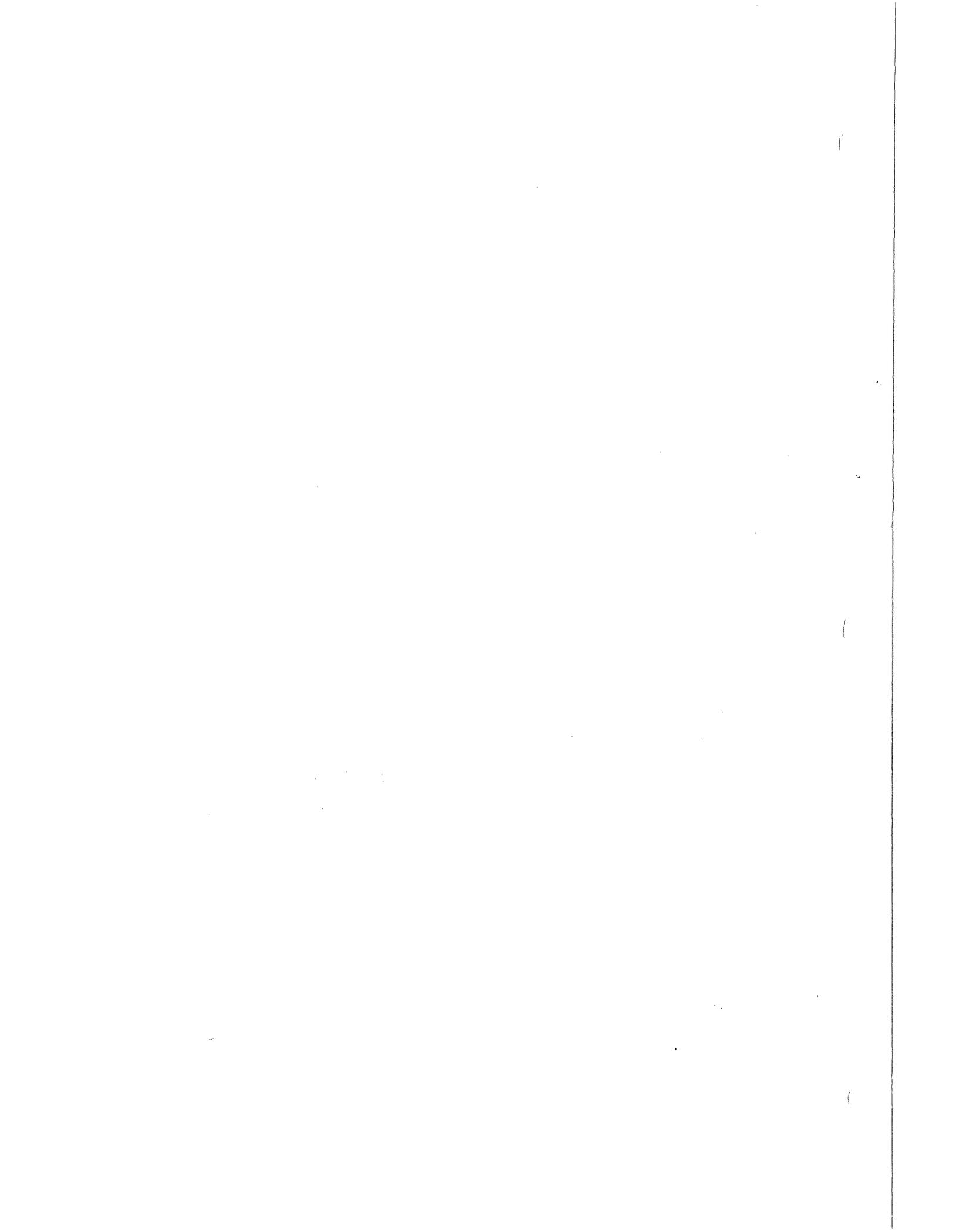
CHAPTER II — 1920-1956

THE ENACTMENT OF THE INCOME TAX

AS ONE SOURCE OF REPLACEMENT REVENUE



NICOLLET AVENUE — 1930
Courtesy: Minnesota Historical Society



The first sixty years of taxation in Minnesota concentrated primarily on improvements to the administration of the general property tax. The earliest reform measures began with the "Wide-Open" amendment in 1905.

The period from 1920 to 1956 was also a reform era that was a result of three major developments in American history. The first of these was the growth of the transportation system during and since the 1920's, and the need of more and better highways. The second was the need for new revenue * sources brought about by the Great Depression in the 1930's. The repeal of prohibition presented one opportunity to gain additional needed revenue. The third development was World War II and the subsequent pressing financial situation of both state and local governments caused by inflation in the late 1940's and early 1950's.

Prior to 1921, state aid for highway construction was financed by a small property tax levy of 1/20 of a mill. The levy was for an internal improvement fund and was raised in 1905 to 1/4 of a mill and to 1 mill in 1911.¹⁶

In 1920, Article 16 of the state constitution was passed which authorized the creation of a trunk highway system. This system was to receive federal appropriations on the condition that the state raise the required matching funds. In order to raise the funds needed to finance the highway system, motor vehicles were exempted from the general property tax in favor of a registration tax of 2% of the manufacturer's list price. Even though the tax was raised in three successive legislative sessions during the twenties,¹⁷

the need for additional revenues kept growing. In 1925, the first gas tax of 2¢ per gallon was imposed and in 1929 it was raised to 3¢ per gallon. No other changes in the gas tax rate occurred until the early 1950's.

During the 1920's, there was also growing pressure to levy special taxes on the iron mining industry. As far back as 1881, a one cent tonnage tax had existed. While the output of the mines was increasing at a very profitable rate, total tax collections during the period were very small - amounting to only \$105,759.¹⁸ By 1897 the inequities were so apparent that the one cent tonnage tax was repealed and the property tax was imposed on iron ore.¹⁹

Although the 1913 property classification law assessed ore at a higher ratio than other property, the 1921 Legislature proposed a constitutional amendment for an additional occupation tax and in 1923 a 6% royalty tax was imposed.²⁰

The importance of legislative action in the 1920's towards transportation and mining taxes is demonstrated by the fact that of the \$44 million of tax revenue collected by the state in 1932, approximately \$24 million was through taxes on motor vehicles, gasoline and iron ore mining and royalties.²¹

The Depression, which brought about a decline in the personal income of Minnesotans from \$1,593 million to \$832 million between 1929 and 1933, imposed severe financial stress on the state and local governments.²² Not only did state revenues from iron ore, gross earnings, motor vehicles and gasoline taxes drop dramatically, but the property tax became much more difficult

to collect. As tax delinquencies rose and prices fell, assessed values declined. Tax delinquencies in 1929 amounted to \$28.6 million and had grown to \$59.8 million by 1933.²³ This amounted to 22.8% of the total taxes levied in 1929 and 55.2% in 1933.²⁴ At the same time, the cost of government, especially education, could not be reduced proportionately and, together with general relief programs, was becoming a severe burden on state government.

The situation facing the Legislature in 1933 merged the demand for property tax relief and the need of replacement revenues. In response, the Legislature reduced the assessment rate on certain agricultural and homesteaded property thereby creating three new classes of property under the property tax classification system:²⁵

CLASS 3a - Agricultural machinery and horses used by the owner and agricultural products in the hands of the producer and not for sale - 10% of full and true value.

CLASS 3b - The first \$4,000 in value of unplatted real estate used for a homestead - 20% of full and true value.

CLASS 3c - The first \$4,000 in value of platted real estate used for a homestead - 25% of full and true value.

These classifications provided relief to certain classes of property, but increased the burden on the remaining classes. A new source of state revenue was needed. It was felt that an income tax was the only source of new revenue that would produce enough money to appreciably relieve property tax burdens.

A legislative committee in 1933 argued:

*"A reasonable income tax will not deprive any citizen of the necessities of life. Under present conditions few, if any, farmers have a net income and thousands of homeowners are unemployed; yet they are charged with enormous taxes. Most property is non-productive, but is taxed at a high rate. No citizen will be required to pay an income tax unless at the end of the year, after deductions and exemptions have been made, there is a taxable net income left. A person who has to pay an income tax will be lucky."*²⁶

The passage of an income tax was not a new idea in 1933. Decades earlier in 1891, the Senate passed a bill championed by Ignatius Donnelly, which provided for a tax of 2% on net incomes in excess of \$2,000.²⁷ The Tax Commission had studied the feasibility of an income tax in 1910 and reported at that time that, "an income tax would not prove any more equitable or satisfactory than the present property tax."²⁸

Interest in the income tax was revived with the success of the 1911 Income Tax law in Wisconsin. In 1927 and 1929, unsuccessful attempts were again made in the Minnesota Legislature to pass a state income tax.²⁹

The Attorney General ruled in 1931 and 1932 that a graduated income tax was permissible under the 1905 "Wide-Open" amendment. In 1932, as in 1920, a constitutional amendment which proposed an income tax gained more votes for than against, but failed to receive a majority of those voting in the election which was required for ratification. After more than forty years of attempts, the 1933 Legislature did enact an income tax on the income of both individuals and corporations.³⁰ The enactment of the tax was partly in response to the belief that a graduated income tax would make the tax system more equitable and partly in response to the need for additional state revenues.

The rates for the income tax for both individuals and corporations were graduated from 1% to 5% as follows:³¹

<u>BRACKET</u>	<u>RATE</u>
0 - \$1,000	1%
1,000 - 2,000	1-1/4%
2,000 - 3,000	1-1/2%
3,000 - 4,000	1-3/4%
4,000 - 5,000	2%
5,000 - 6,000	2-1/2%
6,000 - 7,000	3%
7,000 - 8,000	3-1/2%
8,000 - 9,000	4%
9,000 - 10,000	4-1/2%
Over 10,000	5%

An unmarried individual was allowed an exemption of \$1,200; a married person or a head of household, \$2,000 plus \$250 for each dependent. Corporations were granted an exemption of \$1,000. Both individuals and corporations were allowed to deduct federal taxes. The law provided that the proceeds should be distributed to the school districts on the basis of population of school age children to be used for payment of debt and then for current expenses.

The Minnesota Tax Commission in 1932 had recommended the enactment of a chain store tax, stating that the growth of chain stores "made serious inroads in the business of locally-controlled stores owned by citizens interested in local activities and in local welfare -- in contrast with chain store ownership interested primarily in the amount of profits that may be taken out of the local community."³² Consequently, in 1933 the Legislature enacted a chain store tax which imposed a tax based on the number of stores in the chain and on the amount of gross sales by the chain. The portion of the tax based on the number of stores was graduated from a minimum of \$5 for each store in chains of more than one and not more than ten stores, to a maximum of \$155 for each store in chains of more than fifty. The gross

sales factor of the tax was graduated from .05% of sales of \$100,000 or less to 1% of sales over \$1,000,000.³³ The proceeds were also used for state aid to education.

The repeal of prohibition in 1933 offered the Legislature another method of increasing revenue. License charges were imposed on manufacturers and dealers in alcoholic beverages and rates ranged from \$1/barrel on 3.2 beer to 60¢/gallon on wine and other beverages containing more than 24% alcohol.³⁴

In 1937, the Legislature continued to enact tax increases to provide needed revenues. The income tax rates for individuals were increased and the personal exemptions were replaced with tax credits of \$10 for single taxpayers, \$30 for married taxpayers, and \$5 for each dependent. This change from the personal exemption to the personal credit increased the effective rates even more. The graduated rate structure and the introduction of personal credits provided a more progressive income tax system with a larger revenue potential. For individuals the new rates³⁵ imposed were:

<u>BRACKET</u>	<u>RATE</u>
0 - \$ 1,000	1%
1,000 - 2,000	2%
2,000 - 3,000	3%
3,000 - 4,000	4%
4,000 - 5,000	5%
5,000 - 7,000	6%
7,000 - 9,000	7%
9,000 - 12,500	8%
12,500 - 20,000	9%
20,000 +	10%

For corporations the income tax rate became a flat 7% for 1937 and 1938. For subsequent years the rate was reduced to 6%.³⁶ These income tax rates remained virtually unchanged until 1965.

The 1937 Legislature also enacted a property-payroll credit. The credit provided an income tax credit of up to 10% based on the proportion of property and payroll in Minnesota to total property and payroll everywhere. Also in the Special Session of 1937, the gross sales feature of the chain store tax was eliminated and the tax on the number of stores was increased to \$10 on each store in a chain of not more than two stores to \$350 on each store in a chain of over 150 stores. At the same time, a mail order store tax was imposed at rates from \$200 on the first store to \$1,200 on each store when more than 10 stores were under the same management.

The gift tax was created in 1937 for gifts made in that year and thereafter to prevent evasion of the inheritance tax. The exemptions were made the same as the inheritance tax, although an additional deduction of \$2,500 was permitted to any person receiving a gift. The rates were, 75% of the rates of the inheritance tax, graduated from 3/4 of 1% to 48%.³⁷

A college annuity tax was enacted by the 1937 Legislature to prevent escape from the property tax by donation of property to certain tax-exempt educational institutions in return for payment of annuities. The tax imposed was 50% of the amount of the annuity paid to a donor by the institutions.³⁸

The property tax and gross earnings taxes were also changed in 1937. The property tax classification system was further modified so that the first \$4,000 in value of a homestead was exempt from the levy for state purposes.³⁹

All gross earnings tax rates that could be changed by legislative action were increased. The rate on telephone companies was modified so that the gross earnings of business in rural areas and in cities under 10,000 population were subject to a tax of 4%, while the rate in cities over 10,000 population was 7%.⁴⁰ Another law was passed making the rate 7% on all business in the event the law was ruled unconstitutional.

The gross earnings taxes were increased 1% on freight line, express, sleeping car and trust companies. Telegraph companies, previously subject to the general property tax, were brought under gross earnings at a rate of 7%.⁴¹

The pressing financial problems of state and local governments during the Depression were for the most part eliminated with the U.S. entry into World War II. The decline in unemployment and the growth of farm incomes provided rapid economic expansion after 1940.

Important tax legislation occurring during the war years included the following:

1. The end of chain store and mail order store taxes.
2. The exemption in 1945 of intangibles from property taxation.
3. The increase of the dependent credit to \$10 for income tax purposes.
4. The introduction of airflight property tax and the aviation gas tax.

During this period iron ore occupation and royalty tax rates were increased from 8% in 1941 to 11% by 1947.⁴² In 1941, the Legislature enacted a labor credit which was intended to stimulate the exploration of low grade ore that usually required a large labor expense.⁴³

In addition, the property tax classification system was expanded during this period. Class 3d, consisting primarily of livestock and agricultural tools, was assessed at 20% of full and true value.⁴⁴ Special laws were passed to guarantee that servicemen would not lose homeowner status.⁴⁵ In 1953, Class 3cc was created to provide reduced assessments to disabled veterans.⁴⁶

In 1949, the Legislature proposed a constitutional amendment to allow a state financed Veteran's Bonus.⁴⁷ The same legislation also provided special taxes to fund the bonus until the end of 1959.⁴⁸ The special taxes included:

1. \$5 per year on all corporations, banks, individuals, estates and trusts.
2. A temporary surtax of 5% of the normal rate was imposed on incomes of corporations, banks, individuals, trusts and estates.
3. 1% added to the 11% rates on iron ore and royalties.
4. A surtax of 10% of the taxes paid on beer, wine and liquor.⁴⁹

Economic expansion continued into the early 50's and combined with rising prices and incomes curtailed the need for new or higher taxes. However, in 1955, expenditures exceeded available revenue and in the Special Session additional surtaxes were passed that lasted for only one biennium.⁵⁰ The added surtaxes included 5% of individual income tax liability, 1% of taxable income on corporations, and 15% of the tax liabilities from iron ore occupation and royalty taxes.

Table II follows the changes in the Minnesota tax system between 1920 and 1956.

TABLE II
HISTORY OF TAXATION IN MINNESOTA - 1920 - 1956

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1920					Constitutional Amendment authorizing Trunk Highway system.
1921		Iron Ore - 6% Occupation tax.			Exempt motor vehicles from property tax. 2% motor vehicle tax imposed. Minimum tax \$12-15 depending on weight.
1923		Royalty tax - 6% on mining.			Motor vehicle tax increased to 2-3/4% of value.
1925					Gas tax - 2¢/gallon. Motor vehicle increased to 2-4/10% of value.
1927	Forest land tax - land exempt except 5¢/acre plus 3¢/acre for fire protection.				
1929					Gas tax increased to 3¢/gallon. Motor vehicle tax - minimum tax \$10.00-12.50
1931					Estate tax - allows federal credit.

Table II - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1933	Property tax relief. New classifications added - 3a - 10% of FTV 3b - 20% of FTV 3c - 25% of FTV		Income Tax Act. Rates graduated 1% on \$1,000 of taxable income to 5% on incomes over \$10,000. Exemptions - Single - \$1,200 Married - \$2,000 Dep. - \$ 250	Corporate income tax; Chain store tax; 1,000 credit; federal tax deduction allowed on both corporate and individual income.	Tax on Oleo Margarine - 10¢/lb. Boxing exhibition tax - 10%.
1934 <i>Extra Session</i>	Constitutional Amendment authorized limited exemption on household goods and farm machinery.				Tax on alcoholic beverages. Graduated rates \$1/barrel-beer. 60¢/gallon - other wine & liquor.
1937 & <i>Extra Session</i>	Homestead exemption modified so that the 1st \$4,000 of value is exempt. New class 1a: Low grade iron ore - Graduated 30% - 48½%. Class 4: Homesteads above 1st \$4,000 - 40% FTV. Banks - bank stock assessed at 27% of FTV.	Gross earnings increased. Freight - 7% Sleeping Car - 6% Express - 9% Trust - 6% Telephone-4% < 10,000 Pop. 7% > 10,000 Pop. Telegraph companies 7% on gross earnings. Occupation and Royalty tax increased to 10%, reduced to 8% for next years.	Rate change - credits used. Rates increased from maximum of 5% on incomes over \$10,000 to 10% over \$20,000. Exemptions repealed and replaced with credits of: \$10 Single \$30 Married \$ 5 Dependent	Graduated rates replaced with 7% flat rate for 1937 and 1938 and 6% for subsequent years. Property/payroll credit enacted. Mail order store tax enacted.	Gift tax-\$2500 deduction Gas tax increased 4¢/gallon. Unclaimed bank deposit property of State (20yrs) College annuity tax - 50% of amount of annuity paid to a donor. 1937 inheritance taxes increased from a maximum of 20% to 60% not > than 35% of value of property. Husband and adult child exemption reduced to \$5,000. Alcoholic beverage tax increased to \$1.00/gallon on liquor over 24% alcohol.

Table II - Continued

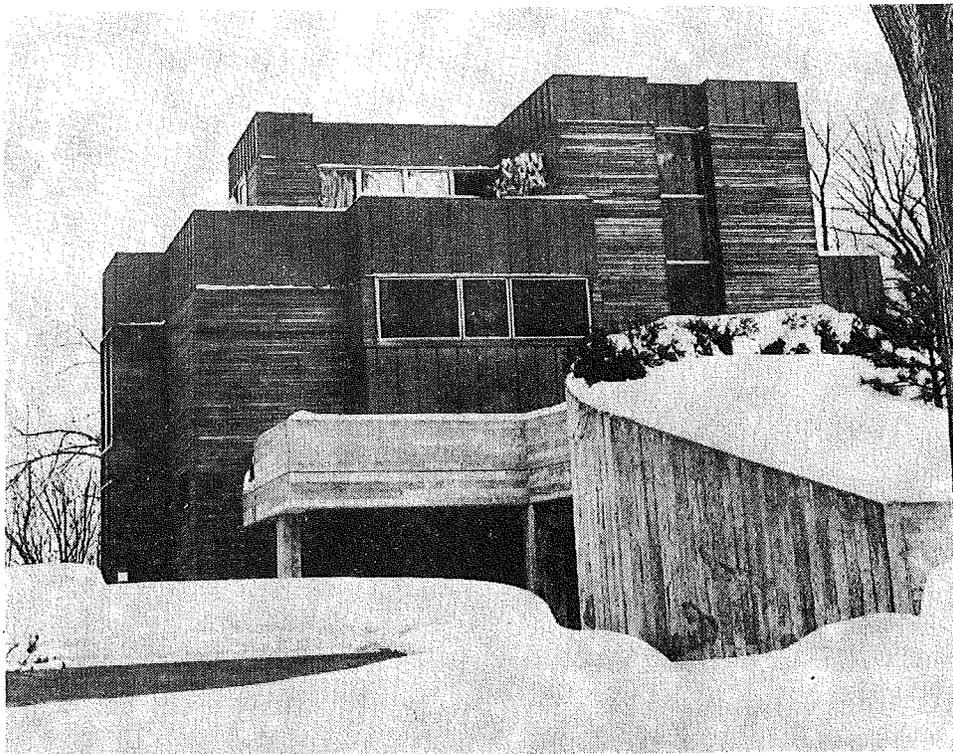
YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1939 <i>(Department of Taxation created)</i>				Manufacturing firms given Arithmetic/ weighted option. (1/3, 1/3, 1/3) or (70%, 15%, 15%).	
1941	Class 3d: Livestock, agricultural tools, etc. 20% of FTV.	Department of Iron Range Resources and Rehabili- tation created. Labor credit - mining companies can deduct from occupation tax 10% of labor cost in excess of 20¢/ton.		Chain store & mail order store taxes lapse.	
1943	Two year suspension money and credits tax.		Dependent credit increased to \$10.		
1945	Money and credits (intangibles) exempted. Airflight property tax - 40% of FTV. Class 1a: Products of blast furnaces - 15% of FTV.	Labor credit amended to 10% of labor costs in excess of 30¢/ton and 15% in excess of 40¢/ton.			Aviation gas tax - graduated rates - 4¢/ gallon down to 1/2¢/gallon. Aircraft license tax of 1% of value.
1947	County Boards of Commissioners required to appoint Assessors.	Occupation and royalty increased to 11%. Labor credit amended to 10% of labor costs in excess of 40¢/ton and 15% in excess of 50¢/ton.		\$10.00 minimum tax Specific credit reduced to \$500.	Liquor tax increased. Cigarette tax - 3¢/pack.
1949		Labor credit amended to 10% of costs > 50¢/ton and 15% in excess of 65¢/ton.	5% surtax. Standard deduction allowed - 10% up to \$500.		Cigarette tax - 4¢/pack.

Table II - Continued

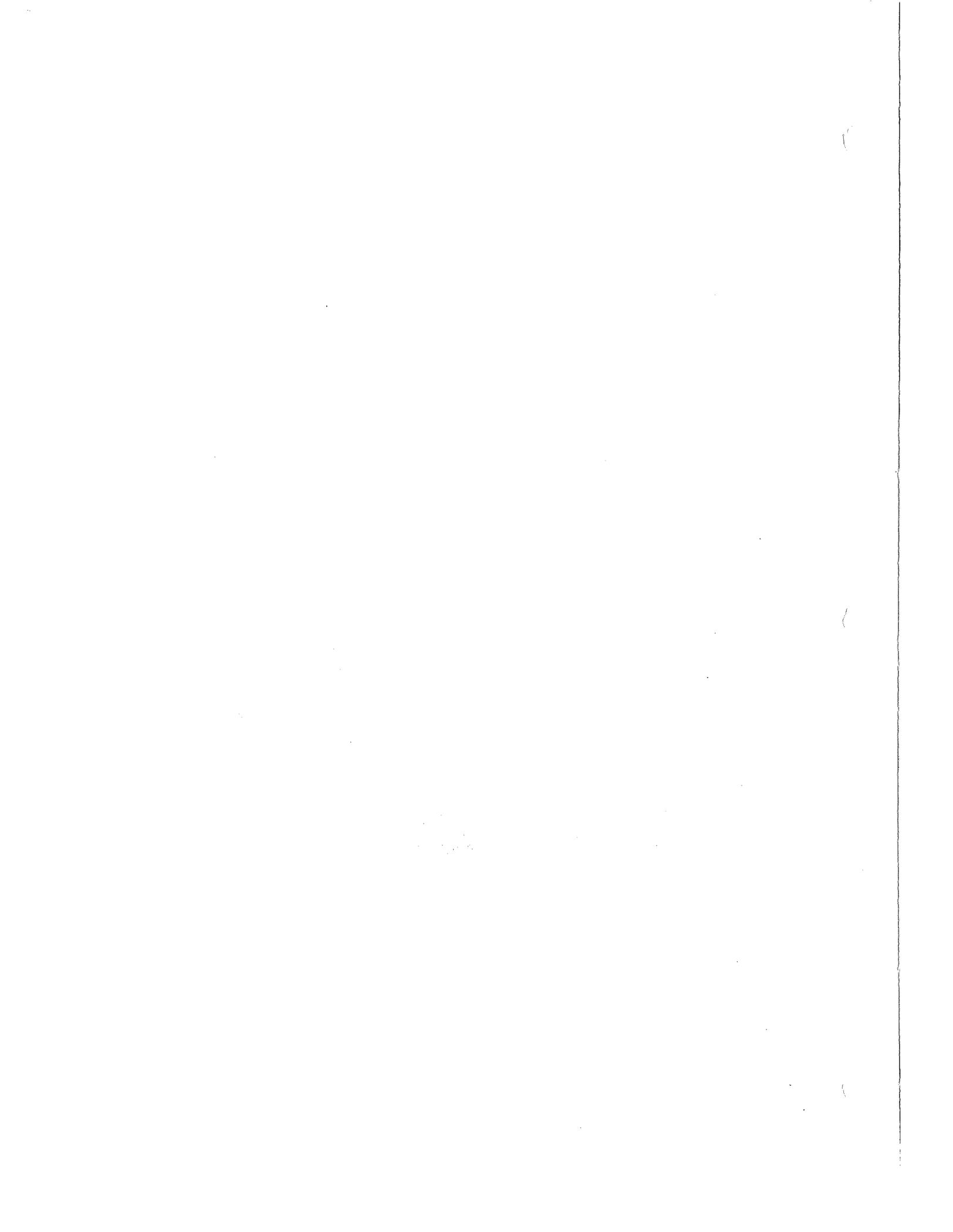
YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1951					Gas tax - 4¢/gallon.
1953	Class 3cc: 1st \$8,000 of homestead 5% of FTV.		Standard deduction increased to 10% up to \$1,000.	Non-manufacturing firms allowed arithmetic or weighted option of allocation of business income.	Gas tax - 5¢/gallon.
1955		15% surtax of occupation and royalty tax liabilities. Labor credit increased to 10% of costs up to 90¢/ ton, and 15% in excess of 90¢/ton.	5% surtax of individual income tax liability.	1% surtax on corporate taxable income.	Tobacco products - 15% of wholesale price.



CHAPTER III — 1956-1979
THE GROWTH OF
MAJOR PROPERTY RELIEF MEASURES



McCANNEL HOUSE — 1979
Courtesy: Mpls. Tribune



By the late 1950's and early 1960's the type of taxes on which the state relied for its revenue had changed significantly from those relied on during Minnesota's early history. In 1856, the only source of revenue had been the general property tax. By 1903 taxes on property, gross earnings and insurance premiums still accounted for virtually all state and local collections. By 1961, however, the five leading revenue producing taxes were the individual and corporate income taxes, motor fuel taxes, motor vehicle licenses and iron ore taxes. These five taxes had not even existed in Minnesota prior to 1920.

I. Property Taxation

In the early 1960's property taxes contributed \$392 million or 46% of the total state and local tax collections.⁵¹ Personal property tax collections provided an additional \$93 million.⁵² However, while the proportion of state tax revenue generated by the property tax decreased from 50% in 1903 to 6% in 1962, the property tax still accounted for 97% in local tax collections in the early 1960's.⁵³

While property tax relief was a product of the Depression, the trend in the last two decades has been an even more intensive demand for reductions in the burden of property taxes. The sharply rising costs of local governments, primarily in the areas of education and welfare, prompted legislative action, to reduce property taxes in the 1960's, that continues today.

The first major reform came in 1967 with the enactment of the "Tax Reform and Relief Act" as the state took increased fiscal responsibility for

local costs.⁵⁴ The state reduced property taxes by requiring lower local levies and then reimbursing local governments for lost revenues through per capita aid payments. The Property Tax Relief Fund created for these payments was funded by five major sources:

1. A new 3% sales and use tax.
2. An expanded Real Estate Deed tax which was doubled from \$1.10 to \$2.20.
3. A temporary increase in the corporate income tax.
4. A distribution of one-half of the taxes collected from railroad and telephone gross earnings.
5. A transfer in both 1967 and 1968 of \$25 million each from the Income Tax School Fund and the General Fund.

The tax relief programs authorized under the 1967 Act were designed to reduce the burden of local property taxes by reducing the costs of local government and providing taxpayers with reimbursements linked to property tax payments. The six programs enacted were:

1. Homestead Property Tax Credit

Property taxes collected on homestead property were reduced 35% up to a maximum of \$250.⁵⁵

2. Rent Credit

Renters were entitled to receive a credit against their state income tax equal to 3-3/4% of annual rent paid up to a maximum of \$45.⁵⁶

3. Senior Citizen Income Tax Credit

Persons sixty-five years of age or older were allowed a credit against state income taxes for property taxes paid up to a maximum of \$300 depending on the level of

their income.⁵⁷

4. Personal Property Exemptions

Livestock and machinery used for agricultural purposes were completely exempted from the property tax. Manufacturers, wholesalers, retailers, and contractors were allowed the option to exempt either inventories held for resale or their tools and machinery. The property tax relief fund would reimburse taxing districts for the reduction in the tax base.

5. Elimination of the State Mill Levy

Prior to the 1967 Act, the State levied a property tax to finance the State Teachers' Retirement Program and to pay the interest and principal on bonded indebtedness. After 1967 the new property tax relief fund was designed to contribute a portion of retirement costs in the state's largest cities: Minneapolis, St. Paul and Duluth. The contributions were for the purpose of reducing the mill levy.

6. Local Government Aids

The property tax relief fund also provided direct payments to schools and local governments. These payments were to be financed by one-fourth of the sales tax collections or \$37,000,000, whichever was larger. In the case of rural schools, the payment was to be used for reduction of the mill levies.

In fiscal year 1967, Minnesota ranked 5th among all states in per capita property tax payments of \$180.02, compared to the U.S. average of \$132.81.⁵⁸ By 1969, when the effects of the 1967 Act were realized, per capita property taxes had dropped to \$156.02, with Minnesota ranked 22nd among all states.⁵⁹

Although the 1967 Legislature lowered property taxes, the tax continued to rise over the years at a rate of 10% to 15% a year. By 1971, property taxes exceeded the levels of 1967 due primarily to the growth of county and municipal expenses as well as the growth of educational costs.

In an effort to insure permanent property tax relief, the 1971 Legislature imposed levy limitations on all units of government in an attempt to restrain the growth of property taxes. The law limited local districts to a 6% increase in the levy limit base per capita over the levy limit base per capita in the previous levy year. In order to ease the administration of the property tax, adjusted value (formerly full and true value) was eliminated and all property was assessed at its market value.⁶⁰ Prior to this change the practice was to take one-third of market value to arrive at adjusted market value. The classification rates were then applied to the adjusted market value to determine assessed value. With the passage of the 1971 Act, total assessed values tripled and the mill rates were reduced by one-third. In addition, reform steps were taken to professionalize assessment practices by requiring county assessors to undergo a certification procedure under the newly created State Board of Assessors.

The 1973 Legislature continued the policy of property tax relief.⁶¹ A 5% reassessment limit was placed on homestead property, creating the concept of limited market value. The homestead credit was increased from 35%

to 45% up to a maximum of \$325. The rent credit, which had been raised in 1971 to 7.5% up to \$90, was again increased in 1973 to 10% up to a maximum of \$120. Additional tax relief was also enacted for senior citizens through the Senior Citizen Property Tax Freeze.⁶²

The 1975 "Omnibus Tax Bill"⁶³ provided further property tax relief through a new program called the "income adjusted homestead credit" or "circuit breaker". The theory of the circuit breaker provided that a person should pay no more than a specified percentage of his household income in property taxes and that the state would reimburse him for the rest. Under the 1975 Act the percentage was graduated from one percent of income up to four percent with a maximum credit of \$475 including the homestead credit. The rent credit was repealed, but 20% of rent paid constituted property taxes qualifying renters for the circuit breaker. The senior citizens property tax freeze was also revised by the circuit breaker law. Senior citizens and disabled persons were allowed an additional \$200 credit above the maximum of \$475. With this additional credit, the freeze was phased out at income levels over \$10,000 and completely eliminated when incomes reached \$19,500.

Changes in 1975 affecting the assessment of property included:

1. Flexible Homestead Base

Prior to the 1975 act, the first \$12,000 of market value was assessed at a lower rate. The new law provided an increase of \$500 in the base for each 3-1/2% inflationary increase statewide in home values.⁶⁴

2. 5% Reassessment Limit was Repealed

The concept of limited market value was continued.

Property was to be viewed and reassessed every four years. Any assessment increases of 10% or less were added the first year. Increases between 10% - 40% were added at 10% a year until the full value was reached. Increases over 40% were added at 25% per year over a four year period.

In 1977, property tax relief was again an area of concern. The "circuit breaker" or "income adjusted homestead credit" was renamed the "property tax refund". Some of the changes included:

1. Clarifying the household income definition for the property tax refund.
2. Excluding the income of dependents from the household income.
3. Increasing the percentage of rent paid from 20% to 22% which qualified for property tax refunds.
4. Repealing the senior citizen property tax freeze.
5. Providing an additional refund called co-insurance for homeowners at the maximum of \$475. This co-insurance feature paid to 35% of the excess tax up to \$800 and 50% of the excess tax up to \$800 for seniors and disabled.

Additional property tax relief came in the form of changes in the classification ratios.⁶⁵ Homestead base values were increased to \$15,000 for payable 1978 and assessed at 22% with the excess value assessed at 36%. For payable 1979, the assessment rates were scheduled to be 20% and 33-1/3%. Changes were also made on agricultural homesteads and 3cc property.⁶⁶

The Minnesota classification system now encompasses 20 individual real property classes and 9 personal property classes calling for assessed values ranging from 5% to 50% of market value.⁶⁷

A major tax court decision in 1979 had significant impact on the property tax law. The Tax Court ruled that the concept of "limited market value" was unconstitutional because it discriminated between property within the same class.⁶⁸ The concept of limited market value was designed to mitigate rising property taxes caused by rapidly inflating home values. Limited market value allowed homes to be taxed at a lower valuation than estimated market value. Although the decision affected only the plaintiff in the case, the Legislature during the 1979 session made substantial changes in the property tax law to cushion the impact of higher property tax burdens expected as a result of the Tax Court decision if limited market value were judicially repealed.

* The 1979 Omnibus Tax Act⁶⁹ provided a two year phase-out of limited market value. In the first year, increases in assessments would be the greater of 10% of the value of the preceding assessment or one-half of the total increase in valuation. The excess of this amount plus any additional increase in valuation would be added during the second year. At the end of the two year phase-out, all property would then be assessed at its full market value.

The Legislature made four major changes to provide property tax relief:

1. Increased the homestead credit over a two year period from 45% up to \$325 to 50% up to \$550 in the first year and 55% up to \$600 in the second year.

2. Increased the homestead base value to \$21,000 with future increases of \$1,000 rather than \$500 for every 3-1/2 points of increase in the homestead base value index.
3. Made reductions in the classification ratios to be implemented over a two year period.
4. Increased the maximum circuit breaker to \$650, raised the co-insurance percentage to 50% up to \$1,000 and increased the percentage of rent qualifying as property taxes from 22% to 23%.

Another major change effecting property taxes resulted from the federal Railroad Revitalization and Regulatory Act of 1976.⁷⁰ This law mandated that states were prohibited from placing any tax on railroad property that would be higher than taxes levied against other commercial and industrial property. In addition, states were to cease discriminatory taxation of railroads within three years.

In light of this law, the 1979 legislature was forced to address the gross earnings tax on railroads which was viewed as discriminatory. Subsequent legislation contained in the 1979 Omnibus Tax Law provided a two year phase-out of the gross earnings tax. For two years, the railroad companies were required to pay a 2% gross earnings tax. At the same time the Commissioner of Revenue would assess and levy the property tax based on the unit valuation method of assessing property. If the 2% gross earnings tax was greater than the property tax levied, the railroad company would receive a refund for the difference. Furthermore, if the gross earnings tax was less than the property tax levied, the railroad company was required to pay the excess. At the end of the two year period, the gross earnings tax would no longer apply to railroads.

II. The Individual Income Tax

The decade of the seventies has witnessed the shift away from the property tax to a greater reliance on the income tax. Fundamental changes in tax policy regarding school financing, state participation in the welfare system and aids to local government prompted the legislature to use the income tax as the major source of additional revenues.

In 1971, individual income tax rates which had ranged from 1.5% to 12% were raised to a range of 1.6% to 14%.⁷¹ Personal credits were increased to \$20 in 1971 and to \$21 in 1972. The combined return was also adopted in 1971 which allowed married taxpayers to file separately on the same form.

A significant change occurred during the 1974 Legislative session with the enactment of the "working poor" bill.⁷² The act provided a credit equal to the income tax liability for low income persons. A complete exemption was granted to taxpayers within certain income levels and an alternative tax computation was allowed for those taxpayers above the forgiveness levels. In 1974 the definition of income for purposes of the low-income credit was Minnesota gross income. In 1976 the definition of income was expanded to the same definition used for circuit breaker purposes. The following table illustrates the change in the low-income exemption levels.

LOW INCOME CREDIT EXEMPTION LEVELS

	1974	1975	1976	1977	1978	1979*
Single	\$3,200	4,400	4,400	4,400	4,800	5,500
1 dependent	3,800	5,200	5,200	5,200	5,800	7,000
2 dependents	4,600	6,000	6,000	6,000	6,900	8,000
3 dependents	5,400	6,700	6,700	6,700	7,800	8,900
4 dependents	6,000	7,300	7,300	7,300	8,400	9,600
5 dependents or more	6,400	7,800	7,800	7,800	8,900	10,000

* These levels to be indexed by full CPI beginning January, 1981.

The State Election Campaign Fund was also created during the 1974 session.⁷³ This act allowed taxpayers to check-off \$1 to either candidates of a political party or to all candidates proportionately. The \$1 was designed as an allocation of tax payment without additional tax liability. Also enacted was the political contribution credit of \$12.50, or \$25 for joint filers, for contributions to political candidates. The credit was raised in 1978 to \$25 for single filers and \$50 for joint filers and again in 1979 to \$50/\$100 to correspond with a similar credit allowed at the federal level.

In 1977, changes were made in the income tax rate structure.⁷⁴ One change provided an increase in the income tax rates on incomes in the upper brackets. The rates imposed were 15% on incomes between \$20,000 - \$25,000, 16% between \$25,000 - \$35,000, 17% between \$35,000 - \$50,000, and 18% on incomes over \$50,000. Personal and dependent credits were scheduled to increase from \$21 to \$30. These changes, which were to be effective for taxable year 1978, never went into effect. The 1978 Legislature instead

increased personal and dependent credits to \$40 and reduced the 1977 rates for upper bracket incomes. The rates that eventually went into effect for taxable year 1978 were: 15% on incomes between \$20,000 and \$27,500, 16% between \$27,500 and \$40,000 and 17% on incomes over \$40,000. In 1979, the top bracket of 17% was eliminated leaving 16% as the highest marginal tax rate.

Other income tax changes made in 1977 included the enactment of a dependent care credit, providing a pension exclusion of up to \$7,200, imposing a tax on preference incomes and eliminating the exclusion for military pay.

In 1978, modifications were made to the 1977 income tax law beyond the changes in the rate structure.⁷⁵ To replace the elimination of the military pay exclusion, a national guard credit of \$140 was enacted and the pension exclusion was further modified to include a \$13,000 federal adjusted gross income limit.

* The 1979 Legislature made a significant change in the income tax by introducing the concept of automatic inflation adjustments, known as indexing, into the tax law. As personal incomes rose to cover inflation, the state's progressive tax structure caused tax burdens to rise at an even faster pace. This resulted in increased revenue to the state but at the same time reduced taxpayers' real after-tax incomes.

Under the 1979 Omnibus Tax Act several segments of the income tax law were indexed.⁷⁶

1. Beginning in tax year 1979, the income tax brackets were indexed by 85% of the all urban consumer price index for the Minneapolis/St. Paul area.
2. The low-income credit exclusion amounts were increased to \$5,500 for singles up to \$10,000 for families of 5 or more. Starting in 1981, these exclusion amounts will be indexed by the full Consumer Price Index for the Minneapolis/St. Paul area.
3. The standard deduction was increased to 10% up to a maximum \$2,000 and is also scheduled to be indexed by the full CPI beginning in 1981.
4. All personal credits were increased to \$55 for tax year 1979 and to \$60 in 1980. Beginning in 1981, these credits will also be indexed by the full Consumer Price Index.

Other major changes made in 1979 included the repeal of the national guard credit and a return to the military pay exclusion; and an increase in the pension exclusion to \$10,000 from \$7,200, with elimination of the various offsets and an increase in income limitation from \$13,000 to \$17,000.

III. Business Taxation

In 1957, the corporate income tax was a flat 6% on all taxable income in excess of \$500. With the addition of surtaxes for the Veteran's Bonus Fund and the General Revenue Fund the total tax rate was 7.35%.

Except for the repeal of the property-payroll credit in 1957, the

decade of the 60's witnessed extensions of the surtaxes and gradual rate increases. By 1967 the flat corporate income tax rate was 8.5% but totaled 11.33% with the inclusion of various surtaxes.

The "Tax Reform and Relief Act" of 1967 allowed some relief to business through the exemption of personal property.⁷⁷ Although the exemption was optional between inventories or tools and machinery, it was estimated that the total tax relief between 1968 and 1970 would reach \$194.8 million.⁷⁸

In order to finance increased school aid and property tax relief, the 1971 Legislature made significant changes in the corporate income tax structure. The tax rate was raised to 12% and the deduction for federal taxes was eliminated. As a result, corporate income taxes were expected to be twice what they were prior to 1971. Property taxes against commercial and industrial property, however, were expected to decrease due to the newly enacted total exemption on personal property and due, also, to the reduction in mill rates resulting from increased state aid for education.

Several changes made in 1973 also had a substantial impact on business. The Bank Excise tax was reduced from 13.64% to 12%. The minimum corporate income tax was increased from \$10 to \$100. All industrial machinery and equipment regardless of size and means of attachment were exempted from the property tax. The Employer's Excise Tax was also enacted in 1973. It imposed a tax of two mills per dollar on the total compensation paid by an employer over the first \$100,000. This limit was increased in 1977 to \$250,000 and finally in 1978 the payroll tax was repealed.

The total income tax burden on corporations was substantially reduced in 1973 through the modification of the sales factor for allocating income. Prior to 1973 any sale made from offices located in Minnesota was considered a Minnesota sale for purposes of apportioning corporate income, regardless of where the merchandise may have been shipped or delivered. The new law in 1973 changed the basis for determining a sale attributable to Minnesota by using the "destination sales" definition, i.e. - goods purchased from an office in Minnesota but delivered outside the state were considered to be non-Minnesota sales. Locally based companies no longer had to operate out-of-state offices in order to apportion income. For those states where destination is the basis, it is not unusual to include a "throwback rule". A throwback rule provides if a sale is not taxed at the point of destination, it is taxed in the state of origin. By not allowing a throwback rule, Minnesota allowed an even greater reduction in the corporate tax burden.

IV. Inheritance Taxation

With the exception of increased graduated rates and exemptions, the inheritance tax that was passed in 1905 did not change significantly for several decades.

In 1976 the Legislature updated the inheritance tax, removing the sex discrimination between spouses by equalizing the marital exemption. The law also increased the homestead exemption to \$45,000 and provided an optional marital exemption of 50% of the gross estate up to \$250,000.⁷⁹

With these changes the inheritance tax was still the most complex to administer in proportion to the revenues collected. In 1979 the Legislature repealed the inheritance tax, replaced it with an estate tax and eliminated the gift tax.⁸⁰

Under the estate tax, the taxable estate for state tax purposes became the federal gross estate of the decedent with several modifications. The estate tax eliminated the homestead exemption and replaced the marital exemption with a marital deduction. The law eliminated complex administrative procedures by removing the distinction between probate and non-probate treatment of assets and by placing the jurisdiction of death taxes with the Department of Revenue rather than with the probate court.

Table III follows the changes in the Minnesota tax system between 1956 and 1979.

TABLE III
HISTORY OF TAXATION IN MINNESOTA - 1956 - 1979

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1957	Minnesota tree growth tax law enacted. Forest land tax increased to 10¢/acre. Freeport exemption.	Labor credit expanded - 10% of costs up to 80¢/ton and 15% in excess of \$1.05/ton.			
1957 <i>Extra Session</i>	State property tax levy authorized for 1957 to 1976 of 1.8 - 2.22 mills to finance state building program.	15% surtax on occupation and royalty taxes extended.	5% veterans bonus surtax computed after deduction of credits. \$5 "head tax" repealed. 150-day working rule repealed.	Property-payroll credit repealed. 1% increase in corporate income tax extended. Basic rate 7.35%.	15% tax on tobacco products extended.
1959	Reclassified lakeshore property not used for commercial property at 33-1/3% of FTV. Class 2a: Mobile homes 4½% to 10% FTV.		Reciprocity to other states offering credits or exclusions to Minnesota residents.		Expanded motor vehicle classification subject to registration tax.
1959 <i>Extra Session</i>	Taxation of exempt property when used by private individual for profit. Grain handling tax repealed. Authorizes county boards to exempt household property. Repeals personal property tax exemption.	Provides additional 1% ore occupation tax, increases temporary surtax to 2.5%. Labor credit limited to 11% basic rate. Additional 1% royalty tax, temporary surtax increased to 2.25%.	Increased individual tax rates - ½%. Dependent credit increased to \$14. Legislators expense money deductible. Deductions authorized for losses.	7½% corporate tax rate permanent. 1.8% surtax imposed. Excludes employers contributions to health plans for employees.	Cigarette tax increased to 5¢/pack. 15% tax on tobacco products permanent, additional 5% surtax. Beer tax increased to \$1.60 and \$3.20. Liquor surtax increased to 15%.

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1959 <i>Extra Session</i> (Cont.)	Deed Transfer tax increased to \$1.10/\$1,000.			Bank tax rate increased to 9.5% surtax - 1.9%.	Inheritance tax rates changed, exemptions increased. Gift tax rates changed - same as inheritance tax. Credits range from \$20 to \$300.
1961	Homestead exemption on property owned by member of armed forces or family. Indian lands exempt from taxation.		Gross income defined as adjusted gross income for federal purposes. Withholding imposed.	Small business may elect to be taxed as a partnership.	
1961 <i>Extra Session</i>		Additional occupation and royalty taxes extended.	1959 tax rates extended. Dependent credit increased to \$15.	1.8% surtax extended. 1.9% bank surtax extended.	
1963		Taconite Amendment Minnesota Constitution Article XXI. Tax created for research in mining industry.	Surtaxes extended.		Gas tax increased to 6¢/gallon.
1965	Assessment of real property on January 2.	Gross earnings on express companies increased to 5%. Mining companies other than ore exempt from income tax.	Contributions cannot exceed 30% of gross income.		Cigarette tax increased 4-8 mills depending on weight.
1967 <i>Extra Session</i>	Real estate deed transfer tax rate doubled to compensate for federal tax expiration.		Rent credit equal to 3-3/4% of rent paid to maximum of \$45.		3% sales and use tax imposed. Clothing, food and drugs major exemptions.

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Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1967 <i>Extra Session</i> (Cont.)	<p>Property tax relief fund created.</p> <p>Homestead property tax credit - 35% up to \$250.</p> <p>Elimination of the state mill levy.</p> <p>Livestock and machinery used for agricultural purposes exempted from personal property tax.</p> <p>Manufacturers: option to exempt either tools or inventories.</p> <p>Adoption of county assessor system.</p> <p>Minnesota agricultural property tax law.</p> <p>Agricultural classification adopted in place of rural classification.</p> <p>Market value adopted as basis for property valuation.</p>		<p>Senior citizen income tax credit enacted - credit based on total income and property taxes levied up to \$300.</p> <p>1% minimum income tax (\$10) eliminated.</p> <p>Income tax school fund repealed.</p>	<p>Effective for taxable years after 12-31-66 and prior to 1-1-1970, a 1% temporary increase in corporate income tax imposed. This increases normal rate to 8.5% and combined with other temporary rates increases the total tax rate to 11.33%.</p>	<p>Local government aids enacted to provide aid payments to local units and school districts.</p>
1969	<p>Taconite property tax relief fund created.</p> <p>Homestead property tax reduction ranges from 17% - 27% up to maximum of \$190.</p> <p>Tax increment financing created.</p> <p>Minnesota Agricultural property tax law (revised).</p>	<p>Taconite tax increased to 11.5¢/ton.</p>	<p>Raises income tax credits for elderly-maximum property tax raised to \$600.</p> <p>Income tax deduction for child care up to \$600 for one dependent and \$400 for more than one.</p>	<p>Extends 1967 temporary rate increase to January 1, 1972.</p>	<p>Cigarettes exempted from general sales tax.</p> <p>Cigarette and tobacco tax increased.</p> <p>Cigarette - 6 and 12 mills (on weight).</p> <p>Tobacco products - 20% of cost.</p>

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1969 (Cont.)	<p>Class 3F: buildings owned and used as residence on land where title is held by another person - home-stead assessment applied.</p> <p>Class 3cc: extended to blind persons.</p> <p>Assessment of Title II property under National Housing Act.</p> <p>Minnesota open space property tax law created.</p>		<p>Deduction for adoption expenses \$450.</p>		<p>Additional tax on liquors between 4¢ and 75¢/gallon depending on alcoholic content.</p>
1971	<p>For assessment purposes - concept of "Full & True" value eliminated and substituted full market value.</p> <p>Teacher residences subject to property tax, previously exempt.</p> <p>Value of disabled vets homesteads in excess of \$8,000 assessed at 33-1/3% for agricultural and 40% for other homesteads.</p> <p>Low income housing in cities less than 10,000 population assessed at 5% of adjusted market value for 15 years.</p> <p>Mobile homes taxed as personal property - 40%.</p>	<p>Allocates taconite tax distribution to counties having electrical power plants providing power to mining companies.</p>	<p>Married taxpayers allowed to file separately on combined return.</p> <p>Farmers allowed 10% credit for pollution control equipment.</p> <p>Non-public school credit.</p>		<p>3% excise tax - motor vehicle.</p>

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1971 <i>Extra Session</i>	<p>Fiscal disparities established.</p> <p>Repealed - Grain handling tax, Vessel tonnage tax.</p> <p>Business inventories, tools and machinery exempt from property tax.</p> <p>Assessment ratio of business property increased to 43% of market value.</p>	<p>Taconite occupation and royalty taxes increased to 15%.</p> <p>Iron ore occupation and royalty taxes increased to 15.5%.</p> <p>Production tax increased to 4¢/ton in 1971 and graduated to 14¢/ton in 1979.</p> <p>Occupation tax on coal dock operators repealed.</p>	<p>Income tax rates increased to 1.6% to 15% from previous 1.5% to 12%.</p> <p>Personal credits to \$20 - 1971 and \$21 - 1972.</p> <p>Senior citizen tax relief credit expanded - maximum property tax increased to \$800.</p> <p>Rent credit increased to 7.5% up to maximum of \$90.</p>	<p>Eliminates federal deductibility for corporations and banks.</p> <p>Corporate income tax raised to 12%.</p>	<p>Sales tax increased to 4%.</p> <p>Cigarette tax increased to 18¢/pack.</p> <p>Tax on beer increased to \$2/barrel - 3.2 beer \$4/barrel - strong beer.</p> <p>Liquor tax increased to \$4.53/gallon.</p> <p>Levy limits created.</p>
1973 <i>(Name change)</i> <i>Dept-ment of Revenue</i>	<p>Type I & II apartment houses assessed at:</p> <p>5 stories (+) - 25% MV. 4 stories or less- 33-1/3% MV.</p> <p>Payment shift agricultural mill differential.</p> <p>Increases homestead credit to 45% up to \$325. Agricultural homesteads increased to 120 acres.</p> <p>Senior citizen tax freeze.</p> <p>Residential property tax reassessments limited to 5%/year.</p>	<p>Tax of 25¢/acre on severed minerals.</p> <p>Extends eligibility for municipalities for taconite tax relief if assessed value of unmined ore is 60%.</p>	<p>Tax deduction for adoption increased to \$1,250.</p> <p>Minnesota/Wisconsin reciprocity.</p> <p>Rent credit increased to 10% up to \$120.</p> <p>Senior citizen tax credit expanded and extended to blind and disabled.</p>	<p>Destination sales for allocation purposes.</p> <p>Corporate income tax - minimum income tax \$100.</p> <p>Bank excise tax reduced to 12%.</p> <p>Employers excise tax imposed.</p>	<p>1% - Duluth city sales tax.</p> <p>State take-over of welfare 50% of general relief - 50% of welfare administration.</p> <p>Local government aids - <u>Metro</u> - \$36/per capita 1974 \$37/per capita 1975. <u>Non-Metro</u> - \$35/per capita 1974. \$36/per capita 1975.</p>

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1973 (Cont.)	Attached machinery exempt from property tax. Seasonal residential property assessed at 33-1/3% MV.		Limits deductions for farm losses against non-farm income exceeding \$10,000.		Grandfathers former distributions for cigarette tax, liquor tax, bank excise tax, inheritance tax, mortgage registry tax and gross earnings taxes. (Distribution abolished by Chapter 650). Levy Limits Review Board - permits referendum to exceed levy limits. - expands special levies.
1974	Attached machinery aid to school districts. Senior citizen property tax freeze extended to disabled. Oil refineries reclassified at 43% MV. Property reassessment in even-numbered years. Tax increment financing. Class 3cc extended to totally disabled.	Newly discovered ore taxed as omitted property for 6 years prior to discovery. Alters deductions used in computing occupation tax on mining companies.	Working poor - credit equal to income tax liability for low-income persons. Political contribution credit. Dollar check-off Minnesota state elections campaign fund.	Corporate income tax applied to railroads.	Repeals oleomargine tax effective 7/1/75.
1975	Certification of Assessors.	Taconite Production tax increased 39¢/ton.	Disallows income deduction for sub-standard housing.	Limits investment credit to portion connected with Minnesota income.	Welfare take-over expanded to include 90% for medical assistance - 90% medically indigent.

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1975 (Cont.)	<p>5% limit on property re-assessment repealed. Increases of 10% or less are added in one year. Increases of 10% - 40% added at 10%/year until full value reached. Increases over 40% added at 25% for four years.</p> <p>Flexible homestead base - that portion assessed at lower ratio will increase \$500 for each 3½% increase in inflation.</p> <p>Agricultural mill differential increased to 10 mills on non-homestead agricultural and seasonal/recreational property and 12 mills on agricultural homestead property.</p> <p>Redemption of tax-forfeited land reduced to three years.</p>	<p>State Grants for water filtration and purification systems available to communities along Lake Superior.</p> <p>Taconite homestead property relief increased 60% up to \$350 for qualifying cities and 52% up to \$300 for property outside qualifying municipalities.</p> <p>Special consideration for Deer River - 52% up to \$300.</p>	<p>Adoption of federal provision to validate increased contributions to Keogh plans.</p> <p>One tax table for all taxpayers with incomes under \$10,000.</p> <p>Eliminates withholding requirements for working poor.</p> <p>Personal credit for deaf income to \$25 single, blind- \$25.</p> <p>Income adjusted homestead credit 1-4% of incomes up to maximum of \$475 included homestead credit.</p> <p>Senior citizen property tax freeze phased out by income levels over \$10,000.</p> <p>Rent credit repealed 20% - rent paid constitute property taxes tied to circuit breaker.</p> <p>Farm-loss deduction reduced by non-farm income over \$15,000.</p> <p>Working poor income levels increased.</p>	<p>Disallows foreign tax credit.</p>	<p>Levy limits increase of 6% over 1973 shared taxes - cities and towns over 2,500 population exempt.</p> <p>Local government aid - new formula - per capita</p> <p>\$42 - 1976 \$45 - 1977, and for metro area money distributed among cities and towns 1970 population times average mill rate for past 3 years times average sales ratio for preceding year.</p>

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1976	Agricultural mill rate differential repealed; replaced with state paid agricultural credit.		Circuit breaker definition for calculating working poor benefits.		<p>Inheritance tax:</p> <ul style="list-style-type: none"> - removes sex discriminations both spouses receive exemption of \$60,000. - minor or dependent children receive \$30,000 exemption. - Homestead exemption increased to \$45,000. - Family maintenance exemption during settlement increased to \$9,000. - Optional 5 year payment period. - 2 year hardship deferment. - Optional marital exemption of 50% of gross estate up to \$250,000.
1977	<p>Reduces school district levy to 28 mills for determining foundation aids.</p> <p>Agricultural homestead increased to 160 acres.</p> <p>Tax statements mailed not later than January 31.</p>	<p>10¢/Cubic yard tax on gravel removed in Kittson and Marshall counties - Becker County gravel tax 5¢/cubic yard removed.</p> <p>Occupation taxes paid during year of production.</p>	<p>Withholding on wages for military pay.</p> <p>Deduction allowed for expenses in maintaining a guide dog.</p> <p>Alimony deduction same as for federal tax purposes.</p>	<p>Increases employers excise tax exemption to \$250,000.</p>	<p>2% on-sale liquor tax to be used for debt service for sports facility.</p> <p>State share of AFDC payments increased to 60%.</p> <p>Levy limits revised:</p> <ul style="list-style-type: none"> - special levies re-defined. - 6% growth factor in levy limit base rather than per capita base.

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1977 (Cont.)	<p>Certificate of value required on real estate sold in excess of \$1,000. No contract for deed purchaser eligible for homestead credit unless certificate of value filed.</p> <p>Property assessment classification ratios changed. For payable 1979:</p> <p>Ag. homestead - Base value - 16% Excess - 30%</p> <p>Non-Ag. Homestead - Base Value - 20% Excess - 33-1/3%</p> <p>3cc Homestead - Base Value - 5% Excess Value Ag. - 30% Non-Ag. - 33-1/3%</p>	<p>Taconite homestead credit increased - 66% - \$385 57% - \$330 and maximums increased \$15.00 per year.</p> <p>Taconite railroad gross earnings paid to state.</p> <p>Limits deduction of production tax to 25¢/ton against occupation tax. Shrinkage deduction eliminated.</p> <p>Occupation tax in lieu of income tax on mining companies</p> <p>Removes 5% occupation tax proceeds received by IRRRB. Grandfathered in at 1977 amount.</p> <p>Production tax increased to \$1.25/ton with tax indexed on price of steel. Additional tax of 1.6% of total on ore quality. Production tax based on 3-year average.</p> <p>Tailings tax of 10¢/ton on tailings not deposited on land.</p> <p>Tax increased on unmined ore to \$10</p>	<p>Income definition changed to include out-of-state income.</p> <p>Deduction of circuit breaker refunds from gross income.</p> <p>Eliminates military pay deduction.</p> <p>Restricts working poor credit to persons with no more than \$20,000 incomes.</p> <p>Provides dependent care credit - 50% of federal credit up to \$300 reduced by 5% of income over \$12,000.</p> <p>Increases in tax rates-effective for tax years after Dec. 31, 1977 - \$25,000 - 35,000 - 16% \$35,000 - 50,000 - 17% \$50,000 & over - 18%.</p> <p>Personal credits increased to \$30.</p> <p>Limits pension exclusion to \$7,200 less social security, railroad benefits and earned income.</p> <p>Eliminates income tax deductions for deed tax, federal telephone and transportation taxes.</p>		<p>- procedure to bring cities below 80% average may have base increased by levy limit review board to bring base up to 80% of average.</p> <p>Local Government Aid - increased to - \$52/capita - 1978 \$59/capita - 1979</p> <p>Loss of local government aid for improper assessments.</p>

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1977 (Cont.)		<p>Taconite environmental protection fund created.</p> <p>Northeast economic protection fund created.</p>	<p>Excludes 1st \$100 from non-business casualty loss deduction.</p> <p>Imposes tax on preference income equal to 40% of federal minimum tax liability for preference income.</p> <p>Authorizes use of short form return incorporating standard deduction.</p> <p>Circuit breaker changed to "Property Tax Refund" -</p> <ul style="list-style-type: none"> - Clarifies income definition. - Increase percent of rent paid to 22%. - Provides co-insurance to 35% of excess to \$800 or 50% to \$800 for seniors. - Repeals senior citizen property tax freeze. 		
1978			<p>Effective for tax years after Dec. 31, 1977 -</p> <p>Rate change on upper brackets 15% - 17% on incomes \$20,000 to over \$50,000 and personal credits increased to \$40.</p>	<p>Employers Excise Tax repealed.</p>	<p>Sales tax exemptions for heating fuels to residential customers annually from November through April.</p>

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1978 (Cont.)			Additional credits reduced to \$20 but allowed additional \$10 for each credit claimed in excess of one. Deaf dependent - \$20 Homemaker credit \$50. National guard credit \$140. \$7,200 pension exemption reduced by social security and railroad benefits and FAGI in excess of \$13,000. Working poor limits raised. Political contribution credit increased \$25/single - \$50/joint.		

Table III - Continued

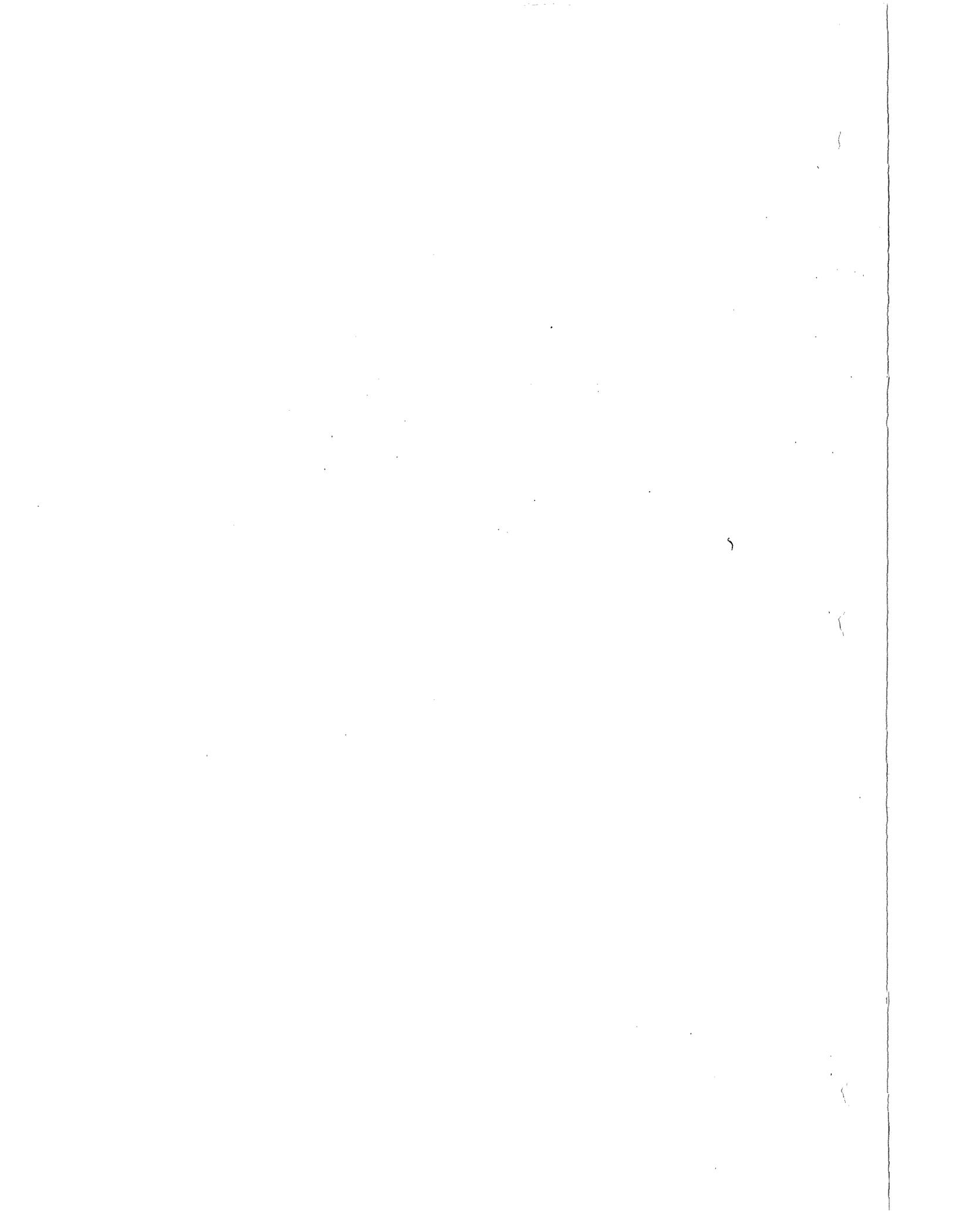
YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS																		
1979	<p>Eliminate limited market value over a two-year period. For payable 1980, the increase in value is the greater of 10% or ½ of total increase in valuation. For payable 1981, the excess plus any increase in value from previous assessment is added to market value.</p> <p>Homestead credit increased - Payable 1980-50% to \$550 Payable 1981-55% to \$600</p> <p>Homestead base value increased to \$21,000. For each 3¼% in index, the base value will increase \$1,000.</p> <p>Property classification assessment ratios changed.</p> <p>Ag. Homestead -</p> <table border="0"> <tr> <td></td> <td>1980</td> <td>1981</td> </tr> <tr> <td>Base Value -</td> <td>12%</td> <td>12%</td> </tr> <tr> <td>Excess -</td> <td>25%</td> <td>22%</td> </tr> </table> <p>Non-Ag. Homestead -</p> <table border="0"> <tr> <td></td> <td>1980</td> <td>1981</td> </tr> <tr> <td>Base Value -</td> <td>18%</td> <td>17%</td> </tr> <tr> <td>Excess -</td> <td>30%</td> <td>28%</td> </tr> </table> <p>Class 3a - 12% 12% Class 3 - 25% 22%</p>		1980	1981	Base Value -	12%	12%	Excess -	25%	22%		1980	1981	Base Value -	18%	17%	Excess -	30%	28%	<p>Railroad gross earnings tax repealed.</p>	<p>All personal credits equalized. Increased to \$55 in 1979, \$60 in 1980 & indexed thereafter.</p> <p>Credits allowed for blind dependents, quadriplegics and quadriplegic dependents.</p> <p>Standard deduction increased to 10% up to a maximum of \$2,000. Indexed in 1981.</p> <p>Low income credit increased. Indexed in 1981.</p> <p>Income tax brackets indexed by 85% of the percentage increase in the local CPI.</p> <p>Top income tax rate reduced from 17% to 16%.</p> <p>Gains and losses realized in a divorce excluded from gross income.</p> <p>Pension exclusion increased to \$10,000; off-sets for social security & railroad retirement benefits eliminated; earned income off-set increased to \$17,000 FAGI. Non-resident pensions not taxed.</p>	<p>Pollution control credit for 5% of the net cost of equipment "used primarily" for pollution control. Retroactive to 1-1-77.</p>	<p>State payments for welfare costs expanded to 70% in 1980 and 80% in 1981 for AFDC & supplemental aid and 60% in 1980 and 70% in 1981 for general assistance.</p> <p>Inheritance and gift tax repealed.</p> <p>Estate Tax enacted. Rates range from 7% to 12%.</p> <p>Local government aids expanded to \$64/capita in 1980, \$70/capita in 1981. County aids increased \$1/capita in 1980 and \$2/capita in 1981. New municipal aid formula created.</p> <p>Payments in lieu of taxes to counties and townships for natural resource land.</p> <p>Sales tax exemption for residential water and sewer charges.</p>
	1980	1981																					
Base Value -	12%	12%																					
Excess -	25%	22%																					
	1980	1981																					
Base Value -	18%	17%																					
Excess -	30%	28%																					

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS												
1979 (Cont.)	<table border="1"> <thead> <tr> <th></th> <th>1980</th> <th>1981</th> </tr> </thead> <tbody> <tr> <td>Class 3cc Base Value - 5% Excess</td> <td></td> <td>5%</td> </tr> <tr> <td>Ag.</td> <td>-25%</td> <td>22%</td> </tr> <tr> <td>Non-Ag.</td> <td>-30%</td> <td>28%</td> </tr> </tbody> </table> <p>New class created - 3dd. Residential real estate containing 3 units or less. Assessed at 32%.</p> <p>Ag. homestead increased to 240 acres.</p> <p>Ag. mill credit increased to 17 mills.</p> <p>Low-income housing assessed at 20% of market value.</p> <p>Effective for payable 1982, property tax credit for owners of property crossed by high voltage transmission line.</p> <p>State paid wetlands credit enacted.</p> <p>Railroads taxed on ad valorem basis.</p>		1980	1981	Class 3cc Base Value - 5% Excess		5%	Ag.	-25%	22%	Non-Ag.	-30%	28%		<p>Federal treatment of capital gain on sale of personal residence for taxpayers over 55 adopted for state tax purposes.</p> <p>National Guard Credit repealed. Gross income exclusion of 1st \$3,000 of military pay and additional \$2,000 for services outside Minnesota enacted.</p> <p>Deposit period for IRA's extended to April 15th.</p> <p>Political contribution credit doubled to \$50 for single taxpayer and \$100 for joint return.</p> <p>Income tax credits allowed for:</p> <ul style="list-style-type: none"> - income taxes paid to province of Canada. - certain fuel & gaso- line taxes. - renewable energy source expenses. - pollution control expenditures. 		
	1980	1981															
Class 3cc Base Value - 5% Excess		5%															
Ag.	-25%	22%															
Non-Ag.	-30%	28%															

Table III - Continued

YEAR	PROPERTY	GROSS EARNINGS & SEVERANCE	INCOME	BUSINESS	MISCELLANEOUS
1979 (Cont.)			<p>Filing requirements determined by Commissioner of Revenue.</p> <p>Allow deduction of out-of-state losses.</p> <p>Property Tax Refund modified:</p> <ul style="list-style-type: none"> - child support payments excluded from income definition. - increase percent of rent paid to 23%. - maximum credit increased to \$650. - co-insurance increased to 50% to \$1,000 for all claimants. 		



FOOTNOTES

1. William Watts Folwell, History of Minnesota, Minnesota Historical Society, St. Paul, Vol. I, 1956.
2. Laws of Minnesota, 1849, Chapter VII.
3. Laws of Minnesota, 1849, Chapter VII, Sec. 2.
4. Laws of Minnesota, 1849, Chapter VIII.
5. Laws of Minnesota, 1851, Chapter 7.
6. Gladys C. Blakey. A History of Taxation in Minnesota, University of Minnesota Press. Minneapolis. 1934. p. 16.
7. Session Laws. 1863, Chapter 3.
8. Session Laws. 1905, Chapter 168. Constitutional Amendment approved by voters Nov. 6, 1906.
9. Minnesota Tax Commission. 1st Biennial Report. 1908. p. 216.
10. Minnesota Tax Commission. 5th Biennial Report. 1916. p. 27.
11. Gladys Blakey. p. 38.
12. Roy G. Blakey. Taxation in Minnesota, University of Minnesota Press. Minneapolis. 1932. p. 325.
13. Ibid.
14. Gladys Blakey. p. 78.
15. Session Laws. 1911. Chapter 372.
16. Gladys Blakey. p. 55
17. Session Laws. 1921, Chapter 461.
Session Laws. 1923, Chapter 418.
Session Laws. 1925, Chapter 229.
Session Laws. 1929, Chapter 165.
18. Gladys Blakey. p. 49.
19. Session Laws. 1897, Chapter 40.
20. Minnesota Constitution, Article IX, Section 1A. and Session Laws 1923, Chapter 226.
21. Report of the Governor's Tax Study Committee, 1956. p. 80.
22. Ibid.
23. Minnesota Tax Commission. 15th Biennial Report. 1936. p. 152.
24. Ibid.
25. Roy G. & Gladys C. Blakey. Taxation in Minnesota. 1939 Supplement, p. 8.
26. House Journal, "Report of the Tax Revision Committee." 1933.
27. Gladys Blakey. p. 61.
28. Ibid. p. 62.
29. Ibid.
30. Session Laws. 1933, Chapter 405.
31. See Appendix I. Chart of Income Tax Rates Since 1933.
32. Minnesota Tax Commission. 13th Biennial Report. 1932. p. 4.
33. Session Laws. 1933. Chapter 213.
34. Session Laws. Extra Session. 1934. Chapter 58.
35. Session Laws. Extra Session. 1937. Chapter 49.
36. Ibid.
37. Session Laws. Extra Session. 1937. Chapter 70.
38. Roy G. & Gladys C. Blakey. Taxation in Minnesota. 1939 Supplement, p. 7.
39. Session Laws. Extra Session. 1937. Chapter 86.
40. Session Laws. Extra Session. 1937. Chapter 10.
41. Session Laws. Extra Session. 1937. Chapter 4.
42. Session Laws. 1947. Chapter 542.
43. Session Laws. 1941. Chapter 544.
44. Session Laws. 1941. Chapter 437.
45. Session Laws. 1945. Chapter 44.

46. Session Laws. 1953. Chapter 400.
47. Minnesota Constitution, Article XI.
48. Session Laws. 1949. Chapter 642.
49. Report of the Governor's Minnesota Tax Study Committee, 1956. p. 84.
50. Extra Session Laws, 1955. Chapter 2.
51. Report of the Governor's Minnesota Tax Study Committee, 1962, p. 22.
52. Ibid.
53. Ibid.
54. Extra Session Laws. 1967. Chapter 32.
55. See Appendix I. Chart on Property Tax Relief Credits.
56. See Appendix I. Chart on Property Tax Relief Credits.
57. See Appendix I. Chart on Property Tax Relief Credits.
58. "Governmental Finances in 1966-67". U.S. Department of Commerce. Bureau of the Census. See Appendix II.
59. "Governmental Finances in 1968-69." U.S. Department of Commerce. Bureau of the Census. See Appendix II.
60. Session Laws. 1971. Chapter 427.
61. Session Laws. 1973. Chapter 650.
62. See Appendix I. Chart on Property Tax Relief Credits.
63. Session Laws. 1975. Chapter 437.
64. See Appendix I. Chart on Property Tax Relief Credits.
65. See Appendix I. Chart on Property Tax Classification Ratios.
66. Session Laws. 1977. Chapter 423.
67. See Appendix I. Chart on Property Tax Classification Ratios.
68. Malcolm A. McCannel & Edward N. Nelson vs. State of Minnesota & County of Hennepin. Minnesota Tax Court. January 31, 1979.
69. Session Laws. 1979. Chapter 303.
70. P. L. 94-210, Title III, Section 306.
71. Extra Session Laws. 1971. Chapter 31.
72. Session Laws. 1974. Chapter 556.
73. Session Laws. 1974. Chapter 470.
74. Session Laws. 1977. Chapter 423.
75. Session Laws. 1978. Chapter 721.
76. Session Laws. 1979. Chapter 303.
77. Extra Session Laws. 1967. Chapter 32.
78. Minnesota Tax Department estimates from Report of the Governor's Minnesota Property Tax Study. November, 1970.
79. Session Laws. 1976. Chapter 320.
80. Session Laws. 1979. Chapter 303.

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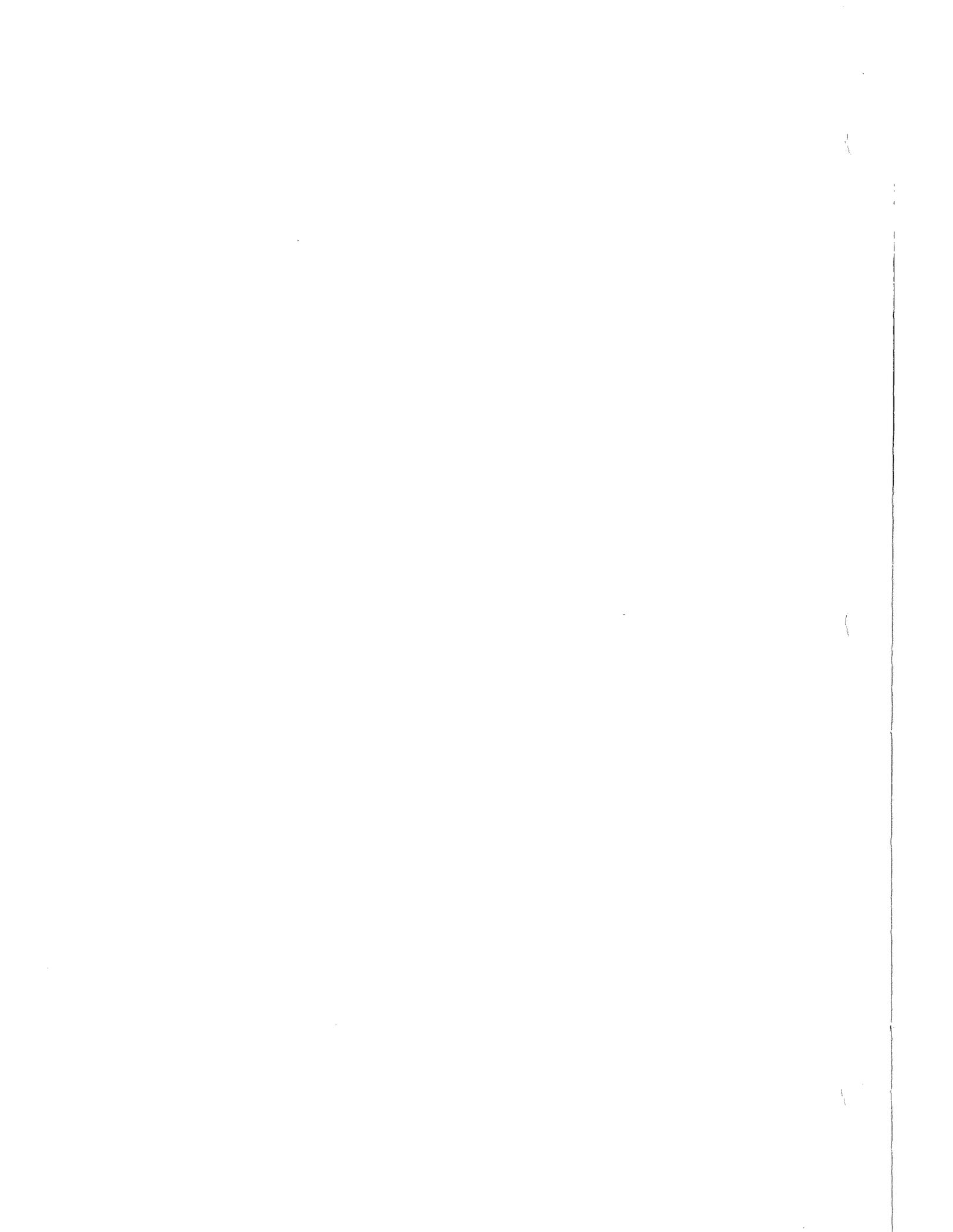
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V. COURT DECISIONS

Malcolm A. McCannel & Edward N. Nelson vs. State of Minnesota and County of Hennepin. Minnesota Tax Court. January 31, 197

APPENDIX I — STATE TAX CHARTS

- A. HISTORY OF INCOME TAX RATES
- B. PROPERTY TAX RELIEF CREDITS
- C. CLASSIFICATION SYSTEM SINCE 1965





FOOTNOTES

- * Year refers to "payable year" for purposes of the property tax and "tax year" for purposes of the income tax.
1. Homestead Credit - 1967 Extra Session Laws, Chapter 32.
Between 1968-1972 the homestead credit was a reduction in property taxes for all purposes except bonded indebtedness. In 1973, the exclusion was changed to non-school district bonded indebtedness and in 1977, the exclusion was repealed.
 2. Taconite Property Tax Relief Credit - 1969 Session Laws, Chapter 1156.
Credit allowed for homestead property in taconite areas. Percentages determined by amount of assessed valuation of iron ore. This credit is determined before the homestead credit but subject to the same exclusion on bonded indebtedness. In 1977, an automatic \$15 per year increase in the maximum credit was enacted.
 3. Ag. Mill Differential/Credit - 1971 Extra Session Laws, Chapter 31.
The Agricultural Mill Rate Differential provided that property owners in agricultural areas would be allowed a reduction in the mill rate for the maintenance fund for school districts. The Ag. Mill Differential became a property tax credit for taxes payable in 1977.
 4. Rent Credit - 1967 Extra Session Laws, Chapter 32.
The rent credit was eliminated in 1975 with the enactment of the circuit breaker.
 5. Senior Citizens Income Tax Credit - 1967 Extra Session Laws, Article 32.
The Senior Citizens Income Tax Credit was the early forerunner of the circuit breaker. Seniors were allowed an income tax credit based on a percentage of their income for property taxes paid. 1969 law provided that net property taxes were determined after the homestead credit. In 1974, the law was extended to the blind and disabled. This credit was repealed with the passage of the circuit breaker in 1975.
 6. Senior Citizens Property Tax Freeze Credit - 1973 Session Laws, Chapter 650.
The Senior Citizen property tax credit was enacted to freeze the property taxes for seniors. The credit allowed was the amount of excess tax in the current tax year over the base year. The 1975 circuit breaker law applied income limits for eligibility and was repealed in 1977.

FOOTNOTES - Continued

7. Circuit Breaker - 1975 Session Laws, Chapter 437.
The Income Adjusted Homestead Credit intended that no person should pay more than a certain percentage of income for property taxes. In 1977, the name was changed to the Property Tax Refund and the concept of co-insurance was added. Under co-insurance homeowners at the maximum circuit breaker are allowed an additional refund. In 1977, the co-insurance was 35% of the excess property taxes up to a maximum of \$800, and 50% up to \$800 for seniors and disabled. The co-insurance was revised in 1979 to 50% up to \$1,000 for all homeowners.
8. Homestead Base Value - 1933 Session Laws, Chapter 359.
The \$4,000 base value was first enacted in 1933. In 1953, Class 3cc was created and a base of \$8,000 was applied. The base was increased to \$12,000 in 1973. In 1975, the base was changed to the homestead base value with future increases of \$500 for each 3-1/2 points of increase in the homestead base value index. The 1979 legislature changed the homestead base value to \$21,000 and incremental inflation increases were raised from \$500 to \$1,000 for each 3-1/2 points of increase.
9. Wetlands Credit - 1979 Session Laws, Chapter 303.
Under this law wetlands are exempt from property taxes. Owners of wetlands are given a property tax credit of 3/4 of 1% of EMV per acre times the number of acres of wetlands.
10. Power Line Credit - 1979 Session Laws, Chapter 303.
A credit of up to 20% of the total gross tax will be allowed owners of land that contain power lines. This credit is effective for payable 1982 taxes.

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MINNESOTA STATUTORY CLASSIFICATION RATES FOR REAL + PERSONAL PROPERTY TAXES /ABLE YEAR

Class	Type of Property Description	Statute Reference Section(Subd.)	1965 (\$)	1966 (\$)	1967 (\$)	1968 (\$)	1969 (\$)	1970 (\$)	1971 (\$)	1972 (\$)	1973 (\$)	1974 (\$)	1975 (\$)	1976 (\$)	1977 (\$)	1978 (\$)	1979 (\$)
REAL PROPERTY																	
1	Unmined Iron Ore	273.13(2)	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
1A	Low Recovery Iron Ore & Blast Furnace Products	273.15	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2	30-48 1/2
1B	Severed Mineral Interests ¹	273.13(2a)	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
3	Ag Non-Homestead	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3
3	Seas., Rec. Residential (Comm'l and Non-Comm'l)	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3
3	Tools, Implements and Machinery (Fixtures to Real Estate)	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3 ¹					
3A	Comm'l Seasonal Recreational, Homesteaded in part 2	273.13(5a)														18	16
3B	Ag Homestead - Base	273.13(6)	20	20	20	20	20	20	20	20	20	20	20	20	20	20	18
	- Excess	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	31
3C	Non-Ag Homestead - Base	273.13(7)	25	25	25	25	25	25	25	25	25	25	25	25	25	22	20
	- Excess	273.13(7)	40	40	40	40	40	40	40	40	40	40	40	40	40	36	33 1/3
3CC	Para. Vet's and Blind Homestead - Base	273.13(7)	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	- (Ag) Excess	273.13(7)	40	40	40	40	40	40	40	40	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	31	30
	- (Non-Ag) Excess	273.13(7)	40	40	40	40	40	40	40	40	40	40	40	40	40	36	33 1/3
3D	Non-Homestead Residential ³	273.13(19)	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
3E	Timberland	273.13(8a)	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
3H	Petroleum Refineries	273.13(13)	27	27	27	27	27	27	27	27	30	43	43	43	43	43	43
4	All Other (Commercial, Industrial, Vacant, Etc.)	273.13(9)	40	40	40	40	40	40	40	40	43	43	43	43	43	43	43
	Parking Ramps (in certain 1st class cities)	273.13(14)	20	20	20	20	20	20	20	20	25	30	30	30	36	36	43
	Type I and Type II Apts., 5 or more stories ⁴	273.13(20)												25	25	25	25
	4 or less stories ⁴	273.13(20)												33 1/3	33 1/3	33 1/3	33 1/3
	Certain Title II Apts. in cities of 10,000 or more in cities under 10,000 pop.	273.13(17)	40	40	40	40	40	20	20	20	20	20	20	20	20	20	20
		273.13(17)	40	40	40	40	40	20	20	5	5	5	5	5	5	5	5
PERSONAL PROPERTY																	
2	Household Goods ⁵	273.13(3)	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
2A	Mobile Homes - Base ⁶	273.13(7)	*	*	*	*	*	*	*	*	5(3cc)	5(3cc)	5(3cc)	5(3cc)	5(3cc)	5(3cc)	5(3cc)
	-Excess	273.13(3)	*	*	*	*	*	*	*	*	40	40	40	40	40	40	40
3	Non-Homestead	273.13(3)	*	*	*	*	*	*	*	*	40	40	40	40	40	40	40
3	Structures on Leased Public Lands in Rural Areas	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	31	31
3	Tools and Machinery (Fixtures to Pers. Prop)	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3 ¹	33 1/3 ⁷				
3	Leased Ag Real Estate on Exempt Land	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	31	31
3	Inventories, Stocks and Furnishings and Tools and Machinery which are Personal Property	273.13(4)	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3	33 1/3
3A	Ag Products in Hands of Producer	273.13(5)	10	10	10	10	10	10	10	10	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
3D	Livestock + Ag Tools & Implements	273.13(8)	20	20	20	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt						
3F	Owner Occupied Residences on Leased Land	273.13(7b)	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
3J	Petroleum Refinery's Personal Property	273.13(13)	17	17	17	17	17	17	17	17	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
4	Structures on Leased Public Lands in Urban Areas and on RR Right of Way	273.13(9)	40	40	40	40	40	40	40	40	43	43	43	43	43	43	43
4	Leased Non-Ag Real Estate on Exempt Land	273.13(9)	40	40	40	40	40	40	40	40	43	43	43	43	43	43	43
4	Systems of Electric, Gas and Water Utilities	273.38+ 273.13(9)	5/40	5/40	5/40	5/40	5/40	5/40	5/40	5/40	43	43	43	43	43	43	43
4	Billboards, Advertising Signs and Devices	273.13(9)	40	40	40	40	40	40	40	40	43	43	43	43	43	43	43

1. New classification effective taxes payable in 1975.
 2. New classification effective taxes payable in 1978.
 3. 3d and 3dd split for taxes payable 1980. 3dd property consists of residential real estate of 3 units or less assessed at 32% of market value.
 4. New classification effective taxes payable in 1976.
 5. Bill passed authorizing county boards to exempt household goods from taxation during 1959 Extra Session. Household goods seldom taxed thereafter.
 6. Classified as 3c or 3cc if used as homestead, effective taxes payable 1972.
 7. Machinery which constitutes fixtures to real estate except public utilities under ad valorem taxation, is exempt.
 * From 10% to 4 1/2% depending on age in years of mobile home.
 ** Buildings receive classification rate of applicable homestead class.

(f)

(g)

(h)

APPENDIX II — TAX & REVENUE CHARTS

- A. PER CAPITA TAX REVENUE OF STATE AND LOCAL GOVERNMENT, BY SOURCE. SELECTED YEARS 1903 — 1954.
- B. ESTIMATED PER CAPITA TAX REVENUE OF STATE AND LOCAL GOVERNMENT, BY SOURCE. 1955 — 1978.
- C. PER CAPITA STATE AND LOCAL REVENUE, SELECTED EARLY YEARS. U.S. COMPARISON.
- D. PER CAPITA STATE AND LOCAL REVENUE, 1965 — 1977. U.S. COMPARISON.
- E. STATE AND LOCAL REVENUE, PER \$1,000 OF PERSONAL INCOME. 1965 — 1977. U.S. COMPARISON.



PER CAPITA TAX REVENUE OF STATE & LOCAL GOVERNMENT IN MINNESOTA, BY SOURCE - SELECTED YEARS 1903-1954

YEARS →	1903	1913	1922	1932	1941	1945	1947	1949	1953	1954
TAXES										
REAL PROPERTY	\$ 7.86	\$ 9.51	\$35.32	\$38.54	\$33.08	\$37.83	\$38.90	\$44.71	\$59.05	\$61.85
PERSONAL PROPERTY	1.60	1.63	5.75	5.01	5.25	7.15	8.14	11.81	16.95	17.44
INDIVIDUAL INCOME	--	--	--	--	2.84	5.30	7.38	10.96	15.44	16.40
CORPORATE INCOME	--	--	--	--	1.90	3.75	3.96	6.02	5.31	4.67
GROSS EARNINGS	.93	1.61	3.37	2.30	2.17	4.94	4.19	5.36	5.83	6.18
INSURANCE PREMIUMS	.14	.20	.43	.73	.76	1.03	1.33	1.50	2.02	2.07
INHERITANCE & GIFT	--	.20	.39	.71	.31	.77	1.09	.77	1.13	1.31
IRON ORE OCCUPATION	--	--	--	.54	2.32	2.50	2.28	4.03	6.81	9.70
ROYALTIES	--	--	--	.25	.40	.92	.49	.71	.84	1.15
ALCOHOLIC BEVERAGES	--	--	--	--	1.84	2.39	2.74	4.63	4.81	4.46
CIGARETTES	--	--	--	--	--	--	.07	3.02	3.84	3.65
GASOLINE	--	--	--	4.53	6.10	5.61	8.19	8.91	13.09	13.75
MOTOR VEHICLES	--	--	3.57	3.99	3.90	2.96	3.79	5.16	8.80	9.22
SALES	--	--	--	--	--	--	--	--	--	--
OTHER	--	.05	.14	.22	.86	.10	.11	.20	.33	.27
TOTAL TAXES	\$10.53	\$13.20	\$48.97	\$56.82	\$61.73	\$75.25	\$82.66	\$107.79	\$144.25	\$152.13

Source: Report of the Governor's Minnesota Tax Study Committee, 1956. p. 88.

ESTIMATED PER CAPITA TAX REVENUE OF STATE & LOCAL GOVERNMENT, BY SOURCE, 1955-1978.

YEARS →	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
TAXES												
REAL PROPERTY	\$ 66.30	\$ 70.30	\$ 76.20	\$ 83.77	\$ 89.65	\$ 98.28	\$104.44	\$111.57	\$120.89	\$128.21	\$136.10	\$143.71
PERSONAL PROPERTY	18.94	19.81	20.52	22.40	23.50	24.58	25.30	26.54	26.49	26.25	26.48	26.94
INDIVIDUAL INCOME	17.03	19.00	19.49	21.64	22.38	26.17	28.04	34.96	39.64	40.66	47.32	61.18
CORPORATE INCOME	5.09	6.30	6.56	7.78	7.63	11.67	9.28	8.56	10.55	11.27	12.28	18.64
GROSS EARNINGS	5.69	6.15	6.28	6.57	6.07	6.19	6.46	6.20	6.38	6.72	7.02	7.26
INSURANCE PREMIUMS	2.09	2.29	2.39	2.37	2.57	2.78	2.94	3.08	3.28	3.51	3.71	3.94
INHERITANCE & GIFT	1.51	1.50	1.87	1.62	2.07	2.15	2.82	2.57	4.32	4.49	3.85	4.02
IRON ORE OCCUPATION	5.19	9.57	8.31	9.87	4.83	3.53	6.14	3.96	4.32	4.20	4.83	5.71
ROYALTIES	.78	1.12	1.09	1.10	.75	.56	1.03	.59	*	*	*	*
ALCOHOLIC BEVERAGES	4.52	4.69	4.84	4.48	4.49	4.56	5.48	5.57	5.70	5.81	6.12	6.45
CIGARETTES	3.54	3.92	3.69	3.81	4.02	5.70	6.11	6.92	7.59	7.91	8.31	8.39
GASOLINE	14.06	14.68	17.44	17.69	18.02	18.43	16.63	16.85	17.41	21.16	21.87	23.00
MOTOR VEHICLES	9.53	9.97	10.60	11.14	11.36	12.05	12.19	12.34	12.61	13.01	13.62	14.59
SALES	--	--	--	--	--	--	--	--	--	--	--	--
SUB TOTAL	154.27	169.30	179.28	194.24	197.34	216.65	226.86	239.71	259.18	273.20	291.51	323.83
OTHER	4.15	4.70	N.A.	N.A.	N.A.	N.A.	9.00	10.17	11.13	11.85	12.40	13.91
TOTAL TAXES	\$158.42	\$174.00	\$179.28	\$194.24	\$197.34	\$216.65	\$235.86	\$249.88	\$270.31	\$285.05	\$303.91	\$337.74

* 1963 through 1966 - Tax Collections for Iron Ore Occupation and Royalty Taxes Combined.

Source: Population figures supplied by State Demographer. Net tax collections from the Biennial Reports of the Department of Taxation 1955-1970 and the Biennial Reports of the Department of Revenue 1971-1978.

ESTIMATED PER CAPITA TAX REVENUE OF STATE & LOCAL GOVERNMENT, BY SOURCE, 1955-1978.

YEARS →	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
TAXES												
REAL PROPERTY	\$ 150.97	\$ 158.16	\$ 162.96	\$ 183.76	\$ 217.21	\$ 198.48	\$ 212.25	\$ 218.03	\$ 253.87	\$ 272.40	\$ 292.74	\$ 302.87
PERSONAL PROPERTY	27.73	13.00	15.03	17.66	19.35	18.20	8.80	9.72	11.31	10.45	10.88	11.38
INDIVIDUAL INCOME	67.76	73.62	80.93	90.86	96.04	124.64	150.70	179.06	205.84	214.85	240.34	268.12
CORPORATE INCOME	17.55	15.67	19.75	18.43	16.47	25.06	40.03	44.61	46.03	44.56	59.68	67.11
GROSS EARNINGS	7.83	7.75	8.12	8.73	10.70	11.95	13.36	12.43	13.98	14.99	16.74	18.31
INSURANCE PREMIUMS	4.22	4.58	4.98	6.36	7.65	7.72	7.63	7.80	8.54	9.24	11.43	13.11
INHERITANCE & GIFT	3.87	4.97	5.69	5.26	5.63	6.65	8.24	8.54	10.63	11.31	10.85	8.51
IRON ORE OCCUPATION	5.75	4.77	4.32	4.99	4.78	5.19	5.15	7.50	9.16	14.71	15.00	15.45
ROYALTIES	*	*	*	*	*	*	*	*	*	*	*	*
ALCOHOLIC BEVERAGES	6.76	7.07	7.46	8.96	9.83	10.78	12.05	12.53	12.47	12.49	12.54	12.84
CIGARETTES	8.68	8.53	8.81	12.47	14.64	14.94	18.76	19.35	19.55	20.33	20.54	20.63
GASOLINE	24.02	28.81	30.42	31.97	33.44	34.84	36.94	36.42	36.33	47.48	48.89	50.54
MOTOR VEHICLES	14.98	16.01	16.09	16.88	17.22	17.66	34.59	35.18	35.67	39.82	44.26	50.06
SALES	--	30.54	46.29	51.41	55.11	66.32	76.95	88.66	97.64	107.88	117.25	134.35
SUB TOTAL	340.12	373.48	410.85	457.74	508.07	542.43	625.45	679.83	761.02	820.51	901.14	1,045.28
OTHER	14.13	16.23	20.17	23.01	23.68	29.93	26.12	32.36	34.93	37.81	41.69	46.53
TOTAL TAXES	\$354.25	\$389.71	\$431.02	\$480.75	\$531.75	\$572.36	\$651.57	\$712.19	\$795.95	\$858.32	\$942.83	\$1,091.81

* 1967 to present - Tax Collections for Iron Ore Occupation and Royalty Taxes Combined.

SELECTED EARLY YEARS
STATE AND LOCAL REVENUE, PER CAPITA

YEARS	1942	1957	1962	1963-64	1964-65
<u>GENERAL REVENUE OWN SOURCES</u>					
U.S. Average	70.89	201.44	271.13	305.44	324.90
Median State	70.13	193.51	265.88	293.35	315.73
Minnesota	87.54	223.57	310.11	349.67	373.24
Rank	8	11	9	9	9
% of U.S. Average	123	111	114	114	115
<u>TOTAL TAXES</u>					
U.S. Average	63.24	169.14	223.62	249.75	263.39
Median State	62.48	160.53	214.13	237.31	254.61
Minnesota	73.44	183.29	250.96	281.84	299.25
Rank	11	14	8	6	7
% of U.S. Average	116	108	112	113	114
<u>PROPERTY TAXES</u>					
U.S. Average	33.65	75.50	102.54	111.02	116.52
Median State	33.92	74.60	94.61	106.10	116.05
Minnesota	41.45	94.88	137.72	151.35	158.48
Rank	13	14	6	5	5
% of U.S. Average	123	126	134	136	136

SELECTED EARLY YEARS - STATE AND LOCAL REVENUE, PER CAPITA
(continued)...

YEARS	1942	1957	1962	1963-64	1964-65
<u>STATE INDIVIDUAL INCOME TAX</u>					
50 State Average	3.84	14.95	21.72	26.71	28.82
Median State	3.65	14.92	18.79	21.94	26.70
Minnesota	6.55	26.31	45.60	53.90	61.59
Rank	5	11	8	8	7
% of 50 State Average	171	176	210	202	214
<u>STATE GENERAL SALES TAX</u>					
50 State Average	4.69	19.80	27.51	31.80	34.63
Median State	8.34	26.67	29.72	38.78	43.39
Minnesota	-	-	-	-	-
Rank	25	36	39	39	39
% of 50 State Average	-	-	-	-	-
<u>FROM FEDERAL GOVERNMENT</u>					
U.S. Average	6.36	22.56	42.36	52.28	56.90
Median State	6.68	25.93	47.85	55.24	62.39
Minnesota	8.78	24.22	43.28	55.25	63.81
Rank	16	29	29	25	25
% of U.S. Average	138	109	102	106	112

*U.S. Department of Commerce, Census of Governments. *Historical Statistics on Governmental Finance and Employment, 1962 and 1967.*

APPENDIX II

STATE AND LOCAL REVENUE, PER CAPITA

YEARS →	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
<u>GENERAL REVENUE OWN SOURCES</u>												
U.S. Average	356.97	384.72	420.71	472.49	535.91	575.89	648.79	719.18	784.80	849.94	934.44	1,031.85
Median State	351.39	375.99	414.20	449.39	511.71	549.25	608.04	662.86	734.06	794.81	880.43	982.44
Minnesota	418.17	454.19	498.08	528.06	574.21	646.16	747.15	832.05	900.71	995.59	1,080.96	1,186.24
Rank	10	9	7	9	13	11	9	7	6	7	8	8
% of U.S. Average	117	118	118	112	107	112	115	116	115	117	116	115
<u>TOTAL TAXES</u>												
U.S. Average	289.70	309.51	338.09	379.94	427.14	460.47	522.49	577.08	618.39	663.77	730.52	813.01
Median State	276.84	296.42	322.00	351.33	397.92	422.71	461.15	514.32	572.71	612.20	671.42	748.60
Minnesota	331.75	356.99	391.70	406.15	441.96	497.70	578.00	649.51	695.84	754.31	822.68	906.10
Rank	9	7	7	12	16	13	9	9	9	8	8	9
% of U.S. Average	115	115	116	107	103	108	111	113	113	114	113	111
<u>PROPERTY TAXES</u>												
U.S. Average	125.96	132.81	138.83	151.92	167.59	183.51	202.33	215.78	225.90	241.60	265.54	289.07
Median State	121.02	128.58	137.00	149.05	162.28	178.44	189.03	196.22	207.53	213.93	235.91	249.38
Minnesota	165.28	180.02	173.13	156.02	170.89	210.67	231.92	221.16	216.90	231.18	254.20	271.02
Rank	6	5	11	22	21	13	12	21	22	22	24	23
% of U.S. Average	131	136	125	103	102	115	115	102	96	96	96	94

STATE AND LOCAL REVENUE, PER CAPITA
(continued)... APPENDIX II

YEARS →	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
<u>STATE INDIVIDUAL INCOME TAX</u>												
50 State Average	21.98	24.91	31.30	37.43	45.36	49.40	62.64	74.54	81.07	88.60	100.24	118.22
Median State	29.64	31.46	30.45	36.94	40.11	40.44	53.82	68.42	74.04	85.06	90.48	105.13
Minnesota	61.88	69.22	74.77	82.20	90.86	95.52	124.03	150.43	179.06	205.58	214.25	240.74
Rank	7	7	6	9	10	9	6	6	4	3	4	5
% of 50 State Average	282	278	239	220	200	193	198	202	221	232	214	204
<u>STATE CORPORATE NET INCOME TAX</u>												
50 State Average	10.45	11.30	12.65	15.81	18.47	16.66	21.28	25.94	28.55	31.27	33.99	42.54
Median State	10.62	11.46	10.68	14.45	14.49	13.89	16.26	20.57	23.07	26.64	28.31	33.62
Minnesota	21.06	19.43	18.07	22.34	20.98	20.61	28.85	43.79	48.59	49.90	49.54	64.93
Rank	6	8	10	10	12	9	9	4	3	4	6	6
% of 50 State Average	202	172	143	141	114	124	136	169	170	160	158	153
<u>STATE GENERAL SALES TAX</u>												
50 State Average	40.37	45.28	52.45	61.87	70.04	75.29	84.92	94.65	107.33	116.66	127.75	143.27
Median State	48.79	49.24	53.48	59.84	73.17	76.62	84.81	94.65	104.60	111.58	122.60	140.46
Minnesota	-	-	31.01	47.02	51.41	54.81	69.33	76.81	88.88	97.91	107.58	117.40
Rank	41	43	40	34	37	41	37	38	37	35	36	38
% of 50 State Average	-	-	59	76	73	73	82	81	82	84	84	82
<u>FROM FEDERAL GOVERNMENT</u>												
U.S. Average	66.98	78.34	85.96	94.86	107.56	126.76	150.08	187.06	197.88	220.79	258.97	289.26
Median State	76.24	85.67	90.81	96.08	115.42	132.35	139.90	187.89	206.38	229.26	274.02	293.34
Minnesota	80.25	87.74	101.35	96.08	106.04	125.13	147.04	185.35	209.57	244.96	281.20	311.02
Rank	23	24	20	26	29	31	31	27	22	17	20	23
% of U.S. Average	120	112	118	101	99	98	98	99	106	111	109	108

APPENDIX II - STATE AND LOCAL REVENUE, PER \$1,000 OF PERSONAL INCOME

YEARS +	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
<u>GENERAL REVENUE OWN SOURCES</u>												
U.S. Average	131.38	131.13	134.51	139.53	146.27	148.67	157.62	161.36	156.83	157.29	159.53	162.52
Median State	132.43	135.54	136.14	139.58	148.07	149.96	156.64	156.34	148.21	152.50	155.42	158.62
Minnesota	157.49	156.84	162.69	160.34	162.46	172.00	187.02	193.63	176.24	184.04	188.04	192.34
Rank	7	6	6	10	15	11	5	4	9	7	6	4
% of U.S. Average	120	120	121	115	111	116	119	120	112	117	118	118
<u>TOTAL TAXES</u>												
U.S. Average	106.63	105.50	108.10	112.20	116.58	118.87	126.94	129.47	123.58	122.84	124.72	128.05
Median State	105.32	105.67	105.42	109.29	114.28	117.19	122.92	122.63	116.41	116.55	118.26	120.13
Minnesota	124.94	123.27	127.94	123.33	125.04	132.48	144.68	151.15	136.15	139.44	143.11	146.92
Rank	7	5	5	9	15	10	5	4	8	6	8	7
% of U.S. Average	117	117	118	110	107	111	114	117	110	114	115	115
<u>PROPERTY TAX</u>												
U.S. Average	46.36	45.27	44.39	44.86	45.74	47.37	49.15	48.41	45.14	44.71	45.33	45.53
Median State	45.20	44.26	44.65	43.61	43.01	44.49	45.06	44.18	38.30	39.26	38.63	38.93
Minnesota	62.24	62.16	56.55	47.37	48.35	56.07	58.07	51.47	42.44	42.73	44.22	43.94
Rank	7	5	9	21	20	15	13	19	23	23	22	22
% of U.S. Average	134	137	127	106	106	118	118	106	94	96	98	97

STATE AND LOCAL REVENUE, PER \$1,000 OF PERSONAL INCOME

(continued)... APPENDIX II

YEARS →	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
<u>STATE INDIVIDUAL INCOME TAX</u>												
50 State Average	8.10	8.50	10.02	11.07	12.40	12.77	15.24	16.75	16.22	16.41	17.13	18.64
Median State	10.99	11.55	10.84	12.39	12.28	11.95	15.42	15.54	16.00	16.25	16.85	18.01
Minnesota	23.30	23.90	24.42	24.96	25.71	25.43	31.05	35.01	35.04	38.00	37.27	39.03
Rank	5	7	6	7	9	8	4	2	2	2	2	4
% of 50 State Average	288	281	244	225	207	199	204	209	216	232	218	209
<u>STATE GENERAL SALES TAX</u>												
50 State Average	14.88	15.46	16.79	18.30	19.12	19.47	20.66	21.27	21.47	21.61	21.83	22.59
Median State	19.15	18.77	20.01	21.86	21.55	21.00	23.02	22.49	22.81	22.00	22.66	24.17
Minnesota	-	-	10.13	14.28	14.55	14.59	17.36	17.87	17.39	18.10	18.71	19.04
Rank	41	43	38	35	38	40	36	37	37	35	35	36
% of 50 State Average	-	-	60	78	76	75	84	84	81	84	86	84
<u>FROM FEDERAL GOVERNMENT</u>												
U.S. Average	24.65	26.71	27.48	28.01	29.35	32.72	36.46	41.97	39.54	40.86	44.21	45.56
Median State	30.22	30.29	33.10	29.06	33.11	36.04	38.73	47.96	42.70	44.88	48.11	50.42
Minnesota	30.22	30.29	33.10	29.17	30.00	33.30	36.80	43.13	41.01	45.28	47.19	50.43
Rank	26	26	26	27	30	31	30	29	27	25	29	26
% of U.S. Average	123	113	120	104	102	102	101	103	104	111	107	111

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