

# Transportation Local Option Sales Tax – Counties

## Background

During the 2008 legislative session, the Transportation Alliance and other transportation funding advocates supported a Local Option Sales Tax to address the transportation funding needs of Minnesota counties. Language was adopted in the comprehensive transportation funding bill – Chapter 152 – authorizing Minnesota counties to adopt a local option sales tax, in addition to the statewide general sales tax rate of 6.5%.

The new law allowed the seven counties in the Twin Cities metropolitan area to impose a ¼-cent local sales tax for transit purposes. Five of the seven counties in the Metropolitan Area (Anoka, Dakota, Hennepin, Ramsey, and Washington) passed resolutions to establish a Metropolitan Transportation Area joint powers agreement, forming the County Transit Improvement Board (CTIB) and began levying this tax to fund transit projects. CTIB was dissolved in 2017, allowing counties in the Metro Area to use the same sales tax authority granted to counties in Greater Minnesota.

The 2008 legislation granted additional sales taxing authority to counties outside of those in the County Transit Improvement Board (CTIB) which allows a single county or group of counties acting under a joint powers agreement to impose a local sales tax of up to a half-cent and a \$20 excise tax on commercial sales of motor vehicles. (This report includes a separate analysis of the \$20 Excise Tax)

Sales of motor vehicles are subject to the state's Motor Vehicles Sales Tax, not the general sales tax, so sales of motor vehicles are not subject to a county approved local option sales tax dedicated to transportation.

## Current Law Provisions - M.S. 297A.993

- Following a public hearing, a county or group of counties may impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.
- Language passed in 2019 clarifies that all counties – metro and Greater Minnesota – are now treated equally in terms of the amount that may be levied and the uses of the revenue. The new law also states that revenue may be used for more than one project or improvement and that after a public hearing, a county may dedicate the proceeds for a new project. The new law also allows counties to issue bonds for transportation purposes using local sales tax revenue to secure the bonds.
- Current law requires that the proceeds of a local option sales tax be dedicated exclusively to:
  - 1) Payment of the capital cost of a specific transportation project or improvement
  - 2) Payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement
  - 3) Payment of the capital costs of the Safe Routes to School program
  - 4) Payment of transit operating costs
- The transportation or transit project or improvement identified in the county board resolution must be specifically designated by the county board or boards. The project must serve a transportation purpose but the language does not specifically require the funding to be used for roadways or bridges. A building that served a transportation purpose, such as a maintenance facility, would qualify.

A political subdivision may impose a tax under this section starting only on the first day of a calendar quarter. A political subdivision may repeal a tax under this section stopping only on the last day of a calendar quarter.

(b) The political subdivision shall notify the commissioner of revenue at least 90 days before imposing, changing the rate of, or repealing a tax under this section.

(c) The political subdivision shall change the rate of tax imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.

(d) The political subdivision shall apply the rate change for sales tax imposed under this section to purchases from printed catalogs, wherein the purchaser computed the tax based upon local tax rates published in the catalog, starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 120 days prior to the change.

## Counties That Have Approved the Local Option Sales Tax

The following table shows the **45 Minnesota counties that adopted a local option sales tax**, the tax rate, and the total annual revenue estimated in 2019. (Actual revenues were reported through June, 2019. Annual estimate is based on doubling January through June actuals.) Source: Minnesota Department of Revenue. <https://www.revenue.state.mn.us/local-sales-and-use-tax-cy-2004-2019>

<b>Table 2: Estimated 2019 Local Option Sales Tax (Transit Tax) Revenue Counties that Have Enacted the Tax</b>						
<b>County</b>	<b>Tax Rate</b>	<b>2019 Est'd Revenue</b>		<b>County</b>	<b>Tax Rate</b>	<b>2019 Est'd Revenue</b>
Anoka	0.25%	11,093,500		Morrison	0.50%	1,621,556
Becker	0.50%	2,346,026		Mower	0.50%	1,843,408
Beltrami	0.50%	3,366,800		Nicollet	0.50%	1,438,946
Blue Earth	0.50%	6,172,322		Olmsted	0.50%	13,647,138
Brown	0.50%	1,678,862		Otter Tail	0.50%	3,295,976
Carlton	0.50%	1,809,628		Pine	0.50%	1,146,638
Carver	0.50%	8,419,378		Polk	0.25%	780,150
Cass	0.50%	1,573,026		Ramsey	0.50%	43,637,616
Chisago	0.50%	2,480,562		Redwood	0.50%	248,274
Cook	0.50%	683,284		Rice	0.50%	3,636,906
Crow Wing	0.50%	6,062,666		Scott	0.50%	9,814,258
Dakota	0.25%	16,758,530		Sherburne	0.50%	3,966,322
Dodge	0.50%	587,280		Stearns	0.25%	6,194,390
Douglas	0.50%	3,346,638		Steele	0.50%	2,950,342
Fillmore	0.50%	873,876		St. Louis	0.50%	14,515,596
Freeborn	0.50%	1,988,958		Todd	0.50%	797,740
Goodhue	0.50%	2,536,488		Wabasha	0.50%	924,686
Hennepin	0.50%	130,180,716		Wadena	0.50%	750,512
Hubbard	0.50%	1,132,474		Waseca	0.50%	222,512
Kandiyohi	0.50%	2,890,184		Washington	0.25%	9,779,392
Lake	0.50%	880,952		Winona	0.50%	3,043,594
Lyon	0.50%	1,887,014		Wright	0.50%	7,331,380
Mille Lacs	0.50%	1,274,286				

## Estimated Revenue – New Budget Projection with COVID-19 Concerns

The unprecedented impact of the COVID-19 pandemic has added a great deal of uncertainty to any estimates of future sales tax revenue. Minnesota Management and Budget issued a [Budget Projection](#) – not a Budget Forecast – in May to try to account for the dramatic downturn in the economy with a great deal of caution about the revenue projections. With the new projection, the state’s \$1.5 billion surplus turned into a \$2.4 billion deficit. According to the Budget Projection, statewide general sales tax revenue in FY 2020-21 is now projected to be \$1.351 billion (11.2 percent) less than the prior forecast. We have lowered the estimate for each county’s sales tax by 10% from the 2019 estimate for 2020 in light of this update.

In 2019, 45 counties imposed a local sales tax. That means that 42 counties have not enacted the tax. The methodology applied to estimate the revenue potential for these 42 counties uses 2018 Sales and Use Tax data (most recent data available) collected by the Minnesota Department of Revenue. The estimate is derived by multiplying the reported tax revenues for that year (2018) by 0.5%. The revenue gain is what each county stands to generate by increasing their general statewide sales tax rate from the new general statewide sales tax rate of 6.875% by 0.5% (the hypothetical local option increase) to 7.375%.

Table 3 on the following pages shows an estimate for each county of the additional revenue that would be generated with the addition of a half-cent local option sales tax. (This table includes the 45 counties that have already enacted a local option sales tax, and an annualized estimate for the six counties whose tax becomes effective in 2019.) *Counties that have already enacted the local option sales tax for transportation are displayed in blue. Counties that do not currently levy the tax are displayed in orange.*

County	2018 Taxable Sales	2018 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	2019 – Actual for counties with tax; Estimate for counties w/o tax based on MMB statewide sales tax revenue projection 5% growth	2020 - Revenue Estimate w/ Covid-19 Recession (10% revenue reduction from 2019)
Aitkin	\$122,623,683	\$613,118	\$643,774	\$579,397
Anoka	\$3,413,391,235		\$11,093,500	\$9,984,150
Becker	\$351,940,782		\$2,346,026	\$2,111,424
Beltrami	\$581,554,414		\$3,366,800	\$3,030,120
Benton #	\$417,422,385		\$2,191,468	\$1,972,321
Big Stone	\$23,433,398	\$117,167	\$123,025	\$110,723
Blue Earth	\$1,009,997,122		\$6,172,322	\$5,555,090
Brown	\$256,972,787		\$1,678,862	\$1,510,976
Carlton	\$221,720,321		\$1,809,628	\$1,628,666
Carver	\$828,871,015		\$8,419,378	\$7,577,441
Cass	\$283,675,804		\$1,573,026	\$1,415,724
Chippewa	\$107,399,649	\$536,998	\$563,848	\$507,463
Chisago	\$292,472,694		\$2,480,562	\$2,232,506
Clay	\$421,453,869	\$587,280	\$616,644	\$554,980

**Table 3: Estimated Additional Revenue to Counties from Half-Cent Local Option Sales Tax  
(Additional 0.5% Rate on 2018 Actual County Taxable Sales)**

County	2018 Taxable Sales	2018 - Counties w/o current tax: 0.5% Increase in General Sales Tax Rate from Local Option (6.875% to 7.375%)	2019 – Actual for counties with tax; Estimate for counties w/o tax based on MMB statewide sales tax revenue projection 5% growth over 2018	2020 - Revenue Estimate w/ Covid-19 Recession (10% revenue reduction from 2019)
Clearwater	\$40,460,701	\$202,304	\$212,419	\$191,177
Cook	\$127,886,463		\$683,284	\$614,956
Cottonwood	\$67,419,193	\$337,096	\$353,951	\$318,556
Crow Wing	\$1,066,736,257		\$6,062,666	\$5,456,400
Dakota	\$5,196,154,451		\$16,758,530	\$15,082,677
Dodge	\$104,289,863		\$587,280	528,552
Douglas	\$584,491,788		\$3,346,638	\$3,011,975
Faribault	\$68,181,529	\$340,908	\$357,953	\$322,158
Fillmore	\$174,163,241		\$873,876	\$786,489
Freeborn	\$291,231,680		\$1,988,958	\$1,790,063
Goodhue	\$384,163,929		\$2,536,488	\$2,282,840
Grant	\$34,994,707	\$174,974	\$183,722	\$165,350
Hennepin	\$24,554,801,203		\$130,180,716	\$117,162,645
Houston	\$75,776,724	\$378,884	\$397,828	\$358,045
Hubbard	\$175,732,136		\$1,132,474	\$1,019,226
Isanti #	\$416,753,365		\$2,187,955	\$1,969,159
Itasca	\$396,779,321	\$1,983,897	\$2,083,091	\$1,874,782
Jackson	\$67,885,457	\$339,427	\$356,399	\$320,759
Kanabec #	\$67,659,153		\$355,211	\$319,690
Kandiyohi	\$573,774,517		\$2,890,184	\$2,601,165
Kittson	\$25,428,437	\$127,142	\$133,499	\$120,149
Koochiching	\$108,939,177	\$544,696	\$571,931	\$514,738
Lac Qui Parle	\$27,322,218	\$136,611	\$143,442	\$129,097
Lake	\$110,583,222		\$880,952	\$792,856
Lake of the Woods	\$67,781,208	\$338,906	\$355,851	\$320,266
Le Sueur	\$147,556,200	\$737,781	\$774,670	\$697,203
Lincoln	\$35,300,584	\$176,503	\$185,328	\$166,795
Lyon *	\$323,175,170	\$1,887,014	\$1,981,365	\$1,783,228
Mahnomen	\$54,809,998	\$274,050	\$287,752	\$258,977
Marshall	\$46,362,447	\$231,812	\$243,403	\$219,063
Martin	\$176,200,273	\$881,001	\$925,051	\$832,546
McLeod #	\$369,559,785		\$1,940,189	\$1,746,170
Meeker	\$175,509,211	\$877,546	\$921,423	\$829,281

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Mille Lacs	\$203,261,033		\$1,274,286	\$1,146,857
Morrison	\$222,151,445		\$1,621,556	\$1,621,556
Mower	\$242,506,185		\$1,843,408	\$1,659,067
Murray	\$41,403,241	\$207,016	\$217,367	\$195,630
Nicollet	\$188,373,622		\$1,438,946	\$1,295,051
Nobles	\$194,717,332	\$973,587	\$1,022,266	\$920,039
Norman	\$36,584,009	\$182,920	\$192,066	\$172,859
Olmsted	\$2,071,392,824		\$13,647,138	\$12,282,424
Otter Tail	\$718,029,647		\$3,295,976	\$2,966,379
Pennington	\$165,235,401	\$826,177	\$867,486	\$780,737
Pine	\$170,008,054		\$1,146,638	\$1,031,974
Pipestone	\$73,459,386	\$367,297	\$385,662	\$347,096
Polk	\$204,940,977		\$780,150	\$702,135
Pope	\$73,393,083	\$366,965	\$385,314	\$346,782
Ramsey	\$6,816,789,541		\$43,637,616	\$39,273,854
Red Lake	\$26,383,482	\$131,917	\$138,513	\$124,662
Redwood	\$134,310,668		\$248,274	\$223,446
Renville	\$68,584,479	\$342,922	\$360,069	\$324,062
Rice	\$488,230,108		\$3,636,906	\$3,273,215
Rock	\$50,242,256	\$251,211	\$263,772	\$237,395
Roseau	\$113,059,862	\$565,299	\$593,564	\$534,208
Scott	\$1,414,325,206		\$9,814,258	\$8,832,832
Sherburne	\$749,792,123		\$3,966,322	\$3,569,689
Sibley	\$50,935,981	\$254,680	\$267,414	\$240,673
St. Louis	\$2,471,678,184		\$14,515,596	\$13,064,036
Stearns	\$2,000,924,098		\$6,194,390	\$5,574,951
Steele	\$436,995,075		\$2,950,342	\$2,655,307
Stevens	\$99,036,179	\$495,181	\$519,940	\$467,946
Swift	\$70,182,031	\$350,910	\$368,456	\$331,610
Todd	\$84,559,095		\$797,740	\$717,9
Traverse	\$19,256,246	\$96,281	\$101,095	\$90,986

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Wabasha	\$110,321,996		\$924,686	\$832,217
Wadena	\$141,446,331		\$750,512	\$675,460
Waseca	\$103,508,160		\$222,512	\$200,260
Washington	\$2,581,954,364		\$9,779,392	\$8,801,452
Watsonwan	\$58,121,682	\$290,608	\$305,139	\$274,625
Wilkin	\$18,135,110	\$90,676	\$95,209	\$85,688
Winona	\$411,857,371		\$3,043,594	\$2,739,234
Wright	\$1,265,951,900		\$7,331,380	\$6,598,242
Yellow Medicine	\$46,323,736	\$231,619	\$243,200	\$218,880

KEY:

Tax Enacted
Tax Not Enacted

\* Lyon County Tax repealed effective June 30, 2020. Revenue estimate based on 2019 actual revenues.

# Benton, Isanti, Kanabec, and McLeod Counties tax effective in late 2019 or Jan 2020, revenue estimate based on half cent new revenue.

Source: Minnesota Department of Revenue, Tax Research Division, June 2020

## Vehicle Excise Tax

### Background

In addition to granting counties the authority to impose a dedicated local sales tax up to a half-cent, the 2008 legislation also granted counties taxing authority to impose a \$20 excise tax on commercial sales of motor vehicles. (See the more detailed background and current law provisions included in the discussion of the half-cent local option sales tax on page 10 which are also relevant here, since both the half-cent local option sales tax and the \$20/vehicle excise tax were contained in the same law.)

Sales of motor vehicles are subject to the state's Motor Vehicles Sales Tax, not the general sales tax, so sales of motor vehicles are not subject to a county approved local option sales tax dedicated to transportation.

In 2016-2017 a series of events led to the formal vote by members of the County Transportation Improvement Board (CTIB) to dissolve the board effective September, 2017. The Metro Area Transit tax authorized by the CTIB affecting the five metro area counties who had adopted it (Hennepin, Ramsey, Dakota, Washington, and Anoka) expired on September 30, 2017, and thereafter each county was authorized to levy its own vehicle excise tax beginning on October 1, 2017.

# Local Option Taxes for Transportation

October 2020



Association of  
Minnesota Counties

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