



ISSUE BRIEF - State Tax Dedications

Updated – November 2022¹

The Minnesota tax revenue system has more than 15 different state taxes that fund state programs related to education, local government operations, property tax relief, and social services. Most state tax revenues are non-dedicated, and their receipts are deposited into the General Fund for general purpose expenditures. Other state tax revenues are dedicated and directed for specific purposes and receipts from these dedications can be found in various funds throughout the revenue system. This document focuses on direct state tax dedications and the amounts collected from these dedications relative to all state tax revenues collected each year. The percentage of total state tax revenue that is dedicated in a fiscal year is calculated for FY 2019 to FY 2021 in Table A to provide a rough estimate of the share of total state tax collections available for general purpose expenditures and the share of total state tax collections dedicated and not available for general purpose expenditures.

Sources and Limitations

This tracking is limited to tax dedications made in statute or the Minnesota Constitution and includes only provisions with tax receipts collected at the state level. Nontax revenue such as fees, special assessments, surcharges, licenses/permits, charges, local property tax revenue and intergovernmental revenue (such as federal revenue) are excluded. Finally, there are also dedicated taxes authorized by the state that can be levied if requested by a local government. City and county wheelage taxes (§163.051 and §426.05) are an example of such a tax used at the local level. An admissions tax of ten cents on each paid admission at licensed racing tracks can be levied if requested by a municipality (§240.15, subdivision 1). These types of local dedicated taxes are also excluded from this analysis.

The tax dedication data for FY 2017 to FY 2021 in Table A is based on reports from the data warehouse in SWIFT (Statewide Integrated Financial Tools). In some instances, other fiscal data sources were used to provide more detail such as the Minnesota Department of Transportation forecast, the Minnesota Department of Revenue State Collection Spreadsheet, [MMB's Price of Government and Consolidated Fund Balance](#) and occupation tax data requested from the Property Tax Research Division within the MN Department of Revenue. Finally, the tax dedications in Table A are

¹ Since the 2019 publication of this document, the following technical changes have been made to the methodology of the 2022 analysis. (1) For the source data for total state tax collections, FY 2019 to 2021 data from the Price of Government published by Minnesota Management and Budget from End of Session 2022 is included in the analysis; (2) the combined net tax receipt revenue and contamination tax revenue were added to the list of tax dedications; (3) the insurance tax funding of Police and Fire Aid was removed as a tax dedication—its inclusion in an earlier draft was in error.

categorized by policy issue area. The categorization of policy issue areas is somewhat arbitrary based on the assumed general intent of the tax dedication law. The policy issue categories in this document may not align with the policy issue areas/categories found in some MMB publications.

Table Definitions:

Total State Tax Collections – Total state tax revenue collections are reported in millions. The totals for state tax revenue collections for FY 2019 and FY 2021 are based on MMB’s Minnesota, Management and Budget’s Price of Government publication (based on data from End of Session, July 2022).

Dedicated Tax Revenue by Fiscal Year – Total state tax collections that are dedicated to a fund in the state treasury for appropriation at a fixed dollar amount or as a percentage of the total revenue in a fiscal year.

Share of Total State Tax Dedicated by percentage – The ratio of total dedicated state tax revenue from a tax type over the total Minnesota state tax revenue collections in a fiscal year. Dedicated tax receipts reflect net receipts with dollars rounded to the thousandths place in most instances.

Legal Citation – constitutional or statutory citation.

Findings:

- Most state tax dedications are ongoing. An exception is the constitutionally dedicated sales tax revenue, equal to the rate of three-eighths of one percent on top of the 6.5 percent general sales tax rate, which is scheduled to sunset at the end of FY 2034.
- The annual percentage of state tax dedications to total state tax revenue collection over three fiscal years from FY 2017 to FY 2021 is between 14 percent and 15 percent. The percentage share of total state tax dedications compared to total state tax revenue collection over the three fiscal year period tracked in Table A has remained under 16 percent with the percentage of dedicated tax revenue declining with increased growth in total state tax collections.
- The policy issue of Transportation continues to have the largest share of total state tax receipts that are dedicated. Since FY 2019, roughly 10 percent of total state tax collections were deposited into transportation accounts for specific purposes.

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TABLE A -Type of Tax	State Legal Citation	Policy Area of Dedication	Amount of Dedication	Disposition of Funds in State Treasury	All State Taxes – Annual Amount Dedicated (\$ in millions)		
					FY 2019	FY 2020	FY 2021
Cigarette Tax	<i>§297F.10, subd 1.</i>	<i>Health</i>	<i>Fixed Dollar Amount – Not Inflation Adjusted</i>	<i>\$22.2 million deposited into the Academic Health Center at the University of Minnesota Account in the Special Revenue Fund. \$3.9 million is deposited directly into the Medical Education Research Fund.</i>	26.187	26.187	26.187
Contamination Tax	<u>§270.97 to §270.98</u>	<i>Environment</i>	100%	<i>All proceeds from the tax including interest and penalties received from counties are deposited into a contaminated site and cleanup account.</i>	0.423	0.335	0.268
Lawful Gambling Tax - Combined Net Tax Receipts	<i>§297E.021, subd. 3, paragraph c</i>	<i>Health</i>	1% of Total Tax	<i>All proceeds deposited to the General Fund. 50% of dedicated proceeds is appropriated to commissioner of human services for the compulsive gambling treatment program and the remaining 50% is appropriated to the commissioner of human services for a grant to the National</i>	0.897	0.794	1.197

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				<i>Council on Problem Gambling.</i>			
Deed Tax	§287.29	<i>Local Government</i>	<i>3% of Total Tax</i>	<i>County Revenue Fund</i>	3.954	4.037	4.932
Mortgage Tax	§287.12	<i>Local Government</i>	<i>3% of Total Tax</i>	<i>County Revenue Fund</i>	3.512	5.111	7.381
Motor Fuels Tax	<i>MN Constitution, Article XIV, Section 10 & § 296A.18</i>	<i>Transportation</i>	<i>100% of Total Tax</i>	<i>Highway User Tax Distribution Fund</i>	940.546	881.600	846.518
Gambling - Pari-Mutuel Tax	§240.15, subd. 1 and §240.18	<i>Equine Research</i>	<i>1% of the Handle for Live Races Conducted at Certain Facilities</i>	<i>Breeder's Administration Accounts in the Special Revenue Fund</i>	1.226	1.332	2.463
Gross Earnings Tax - Insurance Premium – Proceeds from Health Maintenance Organizations and Nonprofit Health Service Plan Corporations	§297l.05, subd. 5	<i>Health</i>	<i>100% of Total Tax</i>	<i>Health Care Access Fund</i>	99.511	94.838	106.414
MNCare Tax - Provider Tax or - Health Care Provider and Pharmacy	§295.52 §295.58	<i>Health</i>	<i>100% of Total Tax</i>	<i>Health Care Access Fund</i>	258.895	251.455	249.771
MNCare Tax, Provider Tax - Hospital and Surgical Center	§295.52 §295.58	<i>Health</i>	<i>100% of Total Tax</i>	<i>Health Care Access Fund</i>	261.316	258.448	240.847

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MNCare Tax, Provider Tax - Wholesale Drug Distributor	§295.52 §295.58	Health	100% of Total Tax	Health Care Access Fund	155.755	172.867	144.863
In Lieu of Property Tax - Air Flight Property Tax	§270.075	Transportation	100% of Total Tax	State Airports Fund	7.026	7.025	7.007
In Lieu of Property Tax - Aircraft Registration Tax	§360.66	Transportation	100% of Total Tax	State Airports Fund	3.276	3.574	3.866
In Lieu of Property Tax - Motor Vehicle Registration	§270.075	Transportation	100% of Total Tax	State Airports Fund	803.790	812.640	853.699
Motor Vehicle Sales Tax	MN Constitution, Article XIV, Sect. 12-13 (297B.09)	Transportation	100% of Total Tax	40% to the Metropolitan Transit Account and the Transit Assistance Fund and 60% to Highway User Tax Distribution Fund	809.948	810.009	981.696
Sales & Use Tax	MN Constitution, Article XI, section 15. 297A.94, paragraph k	Environment	80.25% share of the 3/8 th of the 6.875% rate	33% - Outdoor Heritage Fund, 33% - Clean Water Fund, and 14.25% Parks and Trails Fund. This dedication expires with the tax after FY 2034.	269.231	274.591	290.024
Sales & Use Tax	MN Constitution, Article XI, section 15.	Miscellaneous	19.75% share of the 3/8 th of the 6.875% rate	19.75% - Arts and Cultural Heritage Fund. This dedication expires with the tax after FY 2034.	66.259	67.578	71.377

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Sales & Use Tax – Lottery in Lieu	§297A.94, paragraph (h)	Environment	72.43% Share of Total Tax Proceeds	50% - Game & Fish Fund 50% - Natural Resources Fund	29.981	31.476	37.835
Sales & Use Tax – Motor Vehicle Leases	§297A.815, subd. 3	Transportation	Before FY 2018 - Total revenue raised from motor vehicle leases, the total amount less \$32 million FY 2018 and thereafter – 100% of the sales tax on motor vehicle leases	Before FY 2018: 50% to County State Aid Highway Fund; 50% to Metro Transit FY 2018 and thereafter: 38% to County State Aid Highway, 38% Greater MN Transit; 13% MN Transportation Fund; 11% Highway User Tax Distribution Fund	98.000	86.000	79.000
Sales & Use Tax	§297A.82, subd. 4(a)	Transportation	100% of sales tax on general aviation aircraft purchases	State Airports Fund	9.572	9.906	12.330
Sales & Use Tax	§297A.94	Transportation	Fixed Dollar Amount- Not Adjusted for Inflation - Sales Tax Receipts from Auto Parts	Highway User Tax Distribution Fund	31.536	145.644	145.644
Sales & Use Tax	§297A.64, 297A.94	Transportation	100% of 9.2% Sales Tax on Rental Vehicles	Highway User Tax Distribution Fund	28.108	24.942	15.735
Sales & Use Tax	§297A.62, subd. 1	Transportation	100% of 6.5% Sales Tax on Rental Vehicles	Highway User Tax Distribution Fund.	19.859	17.629	11.117

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Sales & Use Tax	<i>§297A.94, paragraph (j) and 297A.65</i>	<i>Public Safety</i>	<i>25% of the proceeds from the sale tax on legal fireworks</i>	<i>Fire Safety Account in the Special Revenue Fund</i>	0.108	0.110	0.116
Sales & Use Tax	<i>§297A.94, paragraph (j) and 297A.65</i>	<i>Public Safety</i>	<i>25% of the proceeds from the sale tax on legal fireworks</i>	<i>Volunteer Fire Assistance Account in the Special Revenue Fund</i>	0.108	0.110	0.116
Severance and Tonnage - Mining Occupation Tax	<i>MN Constitution, Article 10, section 3, §298.17</i>	<i>Education</i>	<i>40% of General Fund proceeds for Elementary and Secondary Schools</i>	<i>MMB requires that at least as much is appropriated from the General Fund for these purposes by the Appropriation Committee</i>	7.960	6.621	3.788
Severance and Tonnage - Mining Occupation Tax	<i>MN Constitution, Article 10, section 3, §298.17</i>	<i>Education</i>	<i>10% of General Fund proceeds to the University of Minnesota</i>	<i>MMB requires that at least as much is appropriated from the General Fund for these purposes by the Appropriation Committee</i>	1.990	1.565	0.947
Severance and Tonnage - Mining Occupation Tax	<i>§298.17</i>	<i>Miscellaneous</i>	<i>Proceeds equal to 1.5 cents per taxable ton produced in the preceding year</i>	<i>The IRRRB account for Environmental and Economic Development Loans and Grants to Carlton and Koochiching Counties in the Special Revenue Fund</i>	0.524	0.570	0.532
Severance and Tonnage - Mining Occupation Tax	<i>§298.17</i>	<i>Environmental</i>	<i>Proceeds equal to 2.5 cents per taxable ton</i>	<i>The IRRRB account – Mining Environmental -</i>	0.803	0.873	0.949

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			<i>produced in the preceding year</i>	<i>in the Special Revenue Fund</i>			
Severance and Tonnage - Mining Occupation Tax	<i>§298.17</i>	<i>Education</i>	<i>Proceeds equal to 6.0 cents per taxable ton produced in the preceding year</i>	<i>The IRRRB account for Iron Range School Consolidation and Cooperatively School in the Special Revenue Fund</i>	<i>2.094</i>	<i>2.278</i>	<i>2.127</i>
Solid Waste Management Tax	<i>§297H.13</i>	<i>Environment</i>	<i>The greater of 70% of the proceeds or \$33.76 million</i>	<i>Environment Fund</i>	<i>61.796</i>	<i>63.882</i>	<i>65.798</i>
<i>Total State Tax Revenue Dedicated</i>					<i>\$4,004.192</i>	<i>\$4,064.027</i>	<i>\$4,214.543</i>
<i>Total State Tax Revenue</i>					<i>\$26,675.249</i>	<i>\$26,224.592</i>	<i>\$29,961.045</i>
% Share of State Tax Revenue Dedicated					15.01%	15.50%	14.07%
<i>Year-over-Year Change – Total Tax Revenue Dedicated</i>					<i>3.52%</i>	<i>1.5%</i>	<i>3.71%</i>
<i>Year-over-Year Change – Total State Tax Revenue</i>					<i>5.91%</i>	<i>-1.69%</i>	<i>14.25%</i>