

Aggregate Tax

Counties may impose aggregate taxes

Minnesota law authorizes counties to impose taxes on aggregate mined in the county. These taxes are often referred to as “gravel taxes.” By law, the proceeds of the taxes (net of collection costs) are used for transportation and restoration of the mine sites.

Aggregate material includes a number of nonmetallic substances

For purposes of taxation, aggregate material is defined as a number of nonmetallic substances that include silica sand, gravel, limestone, and granite. Taconite tailings and some other material removed from taconite mines are also included in this category. This material must be measured or weighed after it has been extracted to determine the appropriate tax.

Thirty-one counties and one town impose aggregate taxes

According to Department of Revenue data, 31 counties collected the tax in 2014. The map on the next page shows the counties. Special laws also authorize a few towns in St. Louis and Ottertail counties to impose aggregate taxes, as long as the county does not impose the tax. Only Solway Township in St. Louis County collected tax under this authority in 2014.

The tax rate is 21.5 cents per cubic yard

State law sets the rate of the tax at 21.5 cents per cubic yard or 15 cents per ton; counties do not have discretion to set a lower rate.

However, if the county borders two states and is not contiguous to a county imposing an aggregate tax, the law authorizes the county to impose a rate of ten cents per cubic yard or seven cents per cubic ton. This limit expires on December 31, 2024, and currently applies to Rock County.

A county board may exempt an operator that removed less than 20,000 tons or 14,000 cubic yards in the previous year.

The tax is imposed on the amount of aggregate excavated

The aggregate tax is imposed when the material is taken from the extraction site or sold, whichever occurs first. If the aggregate is stored in a stockpile without being transferred on a public road, the tax is imposed either when the aggregate is sold, when transported from the stockpile site, or when it is used from the stockpile, whichever comes first.

The taxes are apportioned among counties

If aggregate material is transported outside the county via a waterway, railway, or any other means besides a public road, the tax is to be apportioned equally between the county where the material is extracted and the county where the material is imported. If the receiving county is not in Minnesota, the county where the material was extracted receives the full amount of the tax.

Other fees are prohibited

A county, city, or town that receives aggregate tax proceeds is prohibited from imposing any additional host community fees on aggregate production.

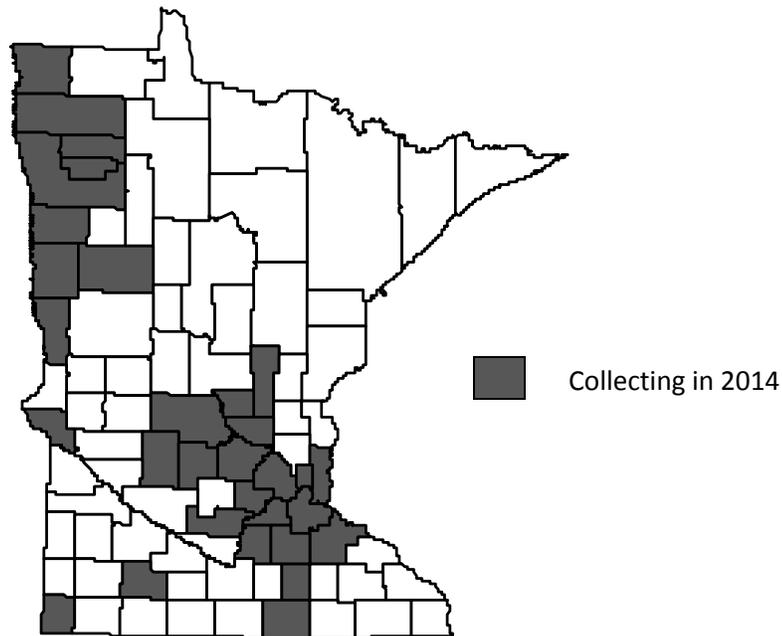
Proceeds of the tax are used for various purposes; about \$6.8 million in revenues were collected in CY 2014

State law specifies how the revenues from the tax are to be used. The taxes are deposited into the county treasury and must be spent as follows:

- The county auditor may retain up to 5 percent of the total revenues as an administrative fee for administering the tax
- 42.5 percent of the remaining amount must be added to the county road and bridge fund for expenditure in maintenance, construction, and reconstruction of roads, highways, and bridges
- 42.5 percent of the remaining amount must be deposited in the general fund of the city or town in which the mine is located, or to the county where the mine is located in an unorganized town, to be expended for maintenance, construction, and reconstruction of roads, highways, and bridges
- 15 percent of the remaining funds must be put into a special reserve fund that is established for expenditures made related to the restoration of abandoned pits, quarries, or deposits located within the county

According to Department of Revenue data, \$6.8 million in aggregate taxes were collected in calendar year 2014.

Counties Collecting Aggregate Taxes



For more information: Contact legislative analyst Christopher Kleman at christopher.kleman@house.mn.

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