

# New Taxes, Tax changes, Fees and Costs of Doing Business in Minnesota

## Taxes

- **Tax Bill.** A billion dollars in tax increases in just the tax bill, not counting other taxes and fee increases in other bills. There are also several rebates and tax credits, so the burden is shifted to businesses, people with higher incomes and to some simply due to changes in tax laws.
- **Paid Family Medical Leave.** Creates a new payroll tax for employers and a payroll deduction for employees.
- **Cannabis.** Creates a brand-new agency, with licenses and taxes.
- **Social Security.** Democrats chose again to raise the threshold of who pays the tax on social security income. You will pay if you have over \$100,000 a year in income. All Republicans and some Democrats campaigned on the complete elimination of the tax at the state level since many states do not tax social security income at all.
- **Rochester Sales Tax.** Rochester received approval to ask voters to renew the city's 0.5% sales tax in November. Proceeds from the sales tax fund the Rochester Economic Vitality Fund, Street Reconstruction, Flood Control & Water Quality, and a Regional Sports and Recreation Complex. Unfortunately, the "Good Neighbor" provision passed with the original sales tax which shared revenue with towns within a 25-mile radius of Rochester was not renewed.
- **Twin Cities Metro Sales Taxes.** 0.25% — quarter cent — sales tax increase in the Twin Cities metro area to fund affordable housing and homelessness prevention. Plus 0.75% seven-county metro sales tax for transit and county road projects. So, in all, the metro sales tax increases add up to a penny per dollar.

## Transportation

- **Gas tax now indexed to inflation.** The change allows the 28.5-cent excise rate on gas and diesel purchases to be indexed to inflation. There is a 3% cap on annual increases. You may not feel this right away because the retail price controls have been repealed, which had an automatic 8-cent markup. There will be a 6-cent increase when the new law takes effect.
- **Tab Fees.** Increased tax rate to 6.875%. The tab fee for a brand-new car would be based on 160% of the MSRP, up from 100% under current law. For a \$30,000 vehicle, the fee would increase to \$626 from \$395. (The fee increase gets smaller as a vehicle ages.) Disabled veterans who purchase motor vehicles with funds provided either in whole or in part by the Veterans Administration are not required to pay the motor vehicle sales tax.
- **Drivers Licenses.** Minnesota's driver's license fees increased by \$6. The cost of a Class D driver's license increased from \$21 to \$27.75. The filing fee for a new REAL ID increased from \$8 to \$16, and the renewal fee increased from \$8 to \$11.
- **New retail delivery fee** that takes effect in July 2024. Retailers (including out-of-state retailers and marketplace providers) are subject to a \$0.50 fee on each transaction that is \$100 or more and involves a retail delivery in Minnesota. Food, medicine, and baby goods are excluded.
- **Motor Vehicle Sales tax increase/decrease.** Increase in the motor vehicle sales tax from \$10 plus 1.25% of the base value to 1.54% for vehicles registered before November 16, 2020, and 1.575% for vehicles registered on or after November 16, 2020. The rate for vehicles older than ten years would be reduced to \$20 from \$25. 100%

service-connected disabled veterans are now exempt from MVST, and the vehicle can be held jointly with a spouse. Maximum of 2 vehicles, including RVs.

- **Metro Sales Tax** (For transit. See Above).

## Commerce

- **Increases in Insurance Fees for agents, agencies.**
  - o Filing an annual statement from \$225 to \$300
  - o Company certificate of authority \$575 to \$750
  - o Valuing the policies of life insurance companies from 1 cent to two cents per \$1000 of insurance not to exceed \$26,000 (previously \$13,000)
  - o Annual renewal of surplus lines insurance license, up from \$300 to \$400
- **Money Transmission Licensure.** New regulatory regime for businesses that facilitate the transmission of money between individuals, nationally or internationally. There are licenses and registration fees. Criminal penalties up to a felony plus suspension and fines if you don't register.
- **Payday lenders.** New regulatory regime for payday lenders that offer short term loans. There are restrictions on the amount of interest you can charge (50%) and they can only charge higher than 36% if the borrower can pass an ability to pay analysis.

## Outdoors Increases

- **Watercraft Licenses.** These were raised across every category.

Improving Minnesota's Water Recreation Experiences Watercraft Registration Fees: Current Versus Proposed The proposed increases vary based on the type and length of watercraft.				
Type of Watercraft	Current (3-year)	Proposed (3-year)	Change (\$)	Change (%)
Watercraft owned by a non-profit organization (scout/youth camps, YMCA)	\$4.50	\$8.00	\$3.50	78%
Sailboats up to 19 ft.	\$10.50	\$23.00	\$12.50	119%
Rental or Lease watercraft up to 19 ft.	\$9.00	\$14.00	\$5.00	56%
Personal Watercraft (Jet Skis), including Rental/Lease	\$37.50	\$85.00	\$47.50	127%
Non-Motorized watercraft (longer than 10 ft.)	\$10.50	\$22.00	\$11.50	110%
Personal Watercraft (Jet Skis), including Rental/Lease	\$37.50	\$85.00	\$47.50	127%
Pleasure craft less than 17 ft.	\$18.00	\$36.00	\$18.00	100%
Pleasure craft 17 ft. up to 19 ft.	\$27.00	\$59.00	\$32.00	119%
Pleasure craft 19 ft. to less than 26 ft.	\$45.00	\$113.00	\$68.00	151%
Pleasure craft 26 ft. to less than 40 ft.	\$67.50	\$164.00	\$96.50	143%
Pleasure craft 40 ft. and longer	\$90.00	\$209.00	\$119.00	132%
Dealer's License	\$67.50	\$142.00	\$74.50	110%
Watercraft over 19 ft. in length for hire with operator	\$75.00	\$164.00	\$89.00	119%