Minnesota Sales Tax Rate

The state general sales tax rate is 6.875 percent

Minnesota first imposed a state sales tax August 1, 1967. At that time the rate was 3 percent. The state last increased the rate in 2009. Below is a table showing how the rate has changed over time.

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 1967 – October 31, 1971</td>
<td>3.0%</td>
</tr>
<tr>
<td>November 1, 1971 – June 30, 1981</td>
<td>4.0%</td>
</tr>
<tr>
<td>July 1, 1981 – December 31, 1982</td>
<td>5.0%</td>
</tr>
<tr>
<td>January 1, 1983 – June 30, 1991</td>
<td>6.0%</td>
</tr>
<tr>
<td>July 1, 1991 – June 30, 2009</td>
<td>6.5%</td>
</tr>
<tr>
<td>July 1, 2009 – Present</td>
<td>6.875%</td>
</tr>
</tbody>
</table>

The 1991 increase was initially enacted as an “optional” county sales tax rate on top of the 6 percent state rate. All counties imposed the tax because of aid penalties if the tax was not imposed. In 1994, this “optional” tax was officially rolled into the state tax rate.

The 2009 increase resulted from a state constitutional amendment imposing an additional three-eighth cent general sales tax, which the voters approved at the 2008 general election. The rate increase is effective for 25 years with the revenues dedicated to funding outdoor heritage, clean water, parks and trails, and historical and cultural heritage.

Minnesota has one of the highest state sales tax rates in the country

Of the 45 states and the District of Columbia that impose a sales tax, six other states have a tax rate higher than Minnesota. The states are:

- California 8.25%
- Mississippi 7.0%
- Rhode Island 7.0%
- Tennessee 7.0%
- Indiana 7.0%
- New Jersey 7.0%

Minnesota’s tax rate, as indicated on the following map, is the highest in the region. Although Minnesota has a relatively high tax rate, it also has one of the narrower tax bases because it does not tax clothing, food for home consumption, or a number of services. All the other states in the region impose sales taxes on clothing. South Dakota also taxes food for home consumption. South Dakota and Iowa tax a number of services not subject to the Minnesota sales tax.
Minnesota taxes motor vehicle purchases and rentals differently

Sales of motor vehicles are exempt from the general sales tax and are instead subject to the motor vehicles sales tax (Minn. Stat., ch. 297B). The motor vehicle sales tax rate remains at 6.5 percent since it was not increased as part of the 2008 constitutional amendment.

Both short- and long-term leases of motor vehicles are subject to the 6.875 percent general sales tax, instead of the motor vehicle sales tax. In addition, short-term motor vehicle rentals (defined as a lease or rental of no more than 28 days) are subject to an extra tax of 6.2 percent and a 5 percent fee. The combined sales tax rate and fee on short-term motor vehicles is 18.075 percent but the rental companies retain the revenue from the 5 percent fee to offset their payments of motor vehicle registration taxes.

The number of local sales taxes in Minnesota has increased over time

In 2000, the state allowed 12 local governments to impose a local sales tax, mainly to fund specific capital projects. The rates were either 0.5 or 1.0 percent. In recent years the number of authorized local sales taxes has grown. All counties located in the seven-county Twin Cities metropolitan area may now impose a 0.25 percent sales tax to fund transit improvements (five of the counties do), while the remaining 80 counties may impose up to a 0.5 percent sales tax to fund specific transportation projects (currently none have imposed the tax). An additional 27 city and county local sales taxes are also currently imposed.

The combined state and local sales tax rates in Minnesota range between 6.875 and 7.875 percent. The city of Duluth and Cook County have the highest combined rate at 7.875 percent. The city of Minneapolis has a combined rate of 7.775 percent while the rate in the city of St. Paul is 7.625 percent.

For more information: Contact legislative analyst Pat Dalton at 651-296-7434. For more information on authorized local sales taxes, also see the House Research publication Local Sales Taxes in Minnesota, August 2010.