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## Guide to Collecting and Reporting Permit Surcharges Construction Codes and Licensing Division

This guide is intended to assist municipalities in understanding how to collect, report, and remit permit surcharges, including the law establishing the surcharge.

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Click [HERE](#) for Fee Calculator

### Questions?

- [Sign up for permit surcharge reminders/updates.](#)
- Call 651-284-5857 or send an email to [ims.bldplb.dli@state.mn.us](mailto:ims.bldplb.dli@state.mn.us)

# Surcharge Law

## [MN STATUTE 326B.148 SURCHARGE](#)

### Subdivision 1. Computation.

To defray the costs of administering sections [326B.101](#) to [326B.194](#), a surcharge is imposed on all permits issued by municipalities in connection with the construction of or addition or alteration to buildings and equipment or appurtenances after June 30, 1971. The commissioner may use any surplus in surcharge receipts to award grants for code research and development and education.

If the fee for the permit issued is fixed in amount the surcharge is equivalent to one-half mill (.0005) of the fee or \$1, except that effective July 1, 2010, until June 30, 2015, the permit surcharge is equivalent to one-half mill (.0005) of the fee or \$5, whichever amount is greater. For all other permits, the surcharge is as follows:

- (1) if the valuation of the structure, addition, or alteration is \$1,000,000 or less, the surcharge is equivalent to one-half mill (.0005) of the valuation of the structure, addition, or alteration;
- (2) if the valuation is greater than \$1,000,000, the surcharge is \$500 plus two-fifths mill (.0004) of the value between \$1,000,000 and \$2,000,000;
- (3) if the valuation is greater than \$2,000,000, the surcharge is \$900 plus three-tenths mill (.0003) of the value between \$2,000,000 and \$3,000,000;
- (4) if the valuation is greater than \$3,000,000, the surcharge is \$1,200 plus one-fifth mill (.0002) of the value between \$3,000,000 and \$4,000,000;
- (5) if the valuation is greater than \$4,000,000, the surcharge is \$1,400 plus one-tenth mill (.0001) of the value between \$4,000,000 and \$5,000,000; and
- (6) if the valuation exceeds \$5,000,000, the surcharge is \$1,500 plus one-twentieth mill (.00005) of the value that exceeds \$5,000,000.

### Subd. 2. Collection and reports.

All permit surcharges must be collected by each municipality and a portion of them remitted to the state. Each municipality having a population greater than 20,000 people shall prepare and submit to the commissioner once a month a report of fees and surcharges on fees collected during the previous month but shall retain the greater of two percent or that amount collected up to \$25 to apply against the administrative expenses the municipality incurs in collecting the surcharges. All other municipalities shall submit the report and surcharges on fees once a quarter but shall retain the greater of four percent or that amount collected up to \$25 to apply against the administrative expenses the municipalities incur in collecting the surcharges. The report, which must be in a form prescribed by the commissioner, must be submitted together with a remittance covering the surcharges collected by the 15th day following the month or quarter in which the surcharges are collected.

A municipality that fails to report or submit the required remittance to the department in accordance with this subdivision is subject to the remedies provided by section [326B.082](#).

### Subd. 3. Revenue to equal costs.

Revenue received from the surcharge imposed in subdivision 1 should approximately equal the cost, including the overhead cost, of administering sections [326B.101](#) to [326B.194](#).

# Fixed and Valuation-based Permit Surcharge Fees

Click [HERE](#) for Fee Calculator

This section explains the difference between fixed fees and valuation-based permit fees.

## Fixed Fee Permits

The surcharge law states: “If the fee for the permit issued is fixed in amount the surcharge is equivalent to one-half mill (.0005) of the **fee** or \$1.”

The surcharge on fixed fee permits is based on the **fee** charged for the permit. When the fee charged for the permit is less than \$2,010, then the surcharge fee is \$1.00. When the fee charged for the permit is \$2,010 or more, then the surcharge is .0005 times the permit fee. (The surcharge fee changes from \$1.00 to \$1.01 at \$2,010).

## Valuation-based Permits

The surcharge law requires that permits other than fixed fee must be assessed a surcharge in accordance with the graduated valuation schedule in [MN. Stat. 326B.148](#).

The surcharge for these permits is based on the valuation of the construction recorded on the permit. The graduated valuation schedule is separated into six categories ranging from \$1,000,000 or less to \$5,000,000 or more.

## Q & A

### 1. What is a Permit Surcharge Report?

A Permit Surcharge Report is the documentation of all permit fees and surcharges collected from permits issued by municipalities in connection with the construction of new and remodeled buildings, including related equipment and appurtenances. The Permit Surcharge Report is required by [Minnesota Statute 326.148](#).

### 2. Who is required to submit the Report?

All municipalities that adopt and enforce the State Building Code, regardless of population size, are required to complete a Permit Surcharge Report and submit it to the Minnesota Department of Labor and Industry (DLI).

### 3. What must be reported?

The total combined number of building, electrical, mechanical, plumbing, or other permits issued, including their valuations, fees, and surcharges collected during the previous month or quarter. This information will determine the portion of surcharge required to be paid to DLI and the amount retained by the municipality.

#### 4. When is the Permit Surcharge Report and payment due?

- **Monthly Report:** Municipalities with a population of 20,000 or more must submit monthly by the 15th day following the month in which surcharges are collected.
- **Quarterly Report:** Municipalities with a population of less than 20,000 must report quarterly by the 15th day following the quarter in which surcharges are collected.

#### 5. How do I submit the Permit Surcharge Report and payment?

- **Option 1 – submit online:**
  - The [Online Permit Surcharge Report](#) is available to municipalities to complete, submit and pay online. Previous reports can also be viewed.
- **Option 2 – complete and mail:**
  - Download a [monthly reporting form](#) if your municipality has a population of 20,000 or more.
  - Download a [quarterly reporting form](#) if your municipality has a population of less than 20,000.

## Permit and Surcharge Fees

There are two types of surcharge fees that apply to permits issued by municipalities in connection with the construction of new and remodeled buildings, including related equipment and appurtenances. The two types of surcharge fees are known as fixed-fee and valuation.

### Permit Fees

#### 1. What is a “Fixed Fee” based permit?

A “Fixed Fee” permit assesses a fixed amount, such as for fixtures, service openings, or appliances installed. Fixed fees may be assessed for one- and two-family dwelling maintenance permits. See [Minnesota Rule 1300.0160](#) subpart 4A.

#### 2. Can permits for one- and two-family dwelling maintenance be based on a fixed fee if they are for roofing, siding, windows, doors, and other minor projects?

Yes. [Minnesota Rule 1300.0160](#) specifically allows these projects to be based on fixed fees.

#### 3. Can a permit for a new building, or building addition, be based on a fixed fee?

No. [Minnesota Rule 1300.0160](#) subpart 4 requires building permits to be based on the valuation of construction.

#### 4. What is a “Valuation” based permit?

A “Valuation” based permit uses the cost of the building, plumbing, mechanical, electrical, or other system to determine the permit fee.

#### 5. If a permit fee is refunded, must the surcharge fee also be refunded?

Yes. The surcharge is collected when a permit is issued. In the event a permit fee is refunded, the surcharge associated with the permit must also be refunded.

6. **Are permits required for plumbing, mechanical, electrical, or other work if a building permit is issued for a building?**  
Yes, unless the work is exempt from a permit by [Minnesota Rule 1300.0120](#) subpart 4.
7. **Minnesota Rule 1300.0160 requires the building permit valuation to include the “total value of all construction work, including materials and labor, for which the permit is being issued, such as electrical, gas, mechanical, plumbing equipment, and permanent systems.” Can the valuation of electrical, gas, mechanical, plumbing, and permanent systems work be used for the separate permits issued for each of these?**  
Yes. [Minnesota Rule 1300.0160](#) subpart 3 allows for the separate permits to be based on valuation or fixed fees.

## Surcharge Fees

1. **We collected a surcharge fee for a permit in January and paid it to the State. In April the permit fee and surcharge fee were refunded. How do we account for this and how do we recover the previously paid fee?**  
Paper form: Use the “Refund adjustments” line on row 5 of the paper form and explain the reason for the adjustment(s).  
Online: After entering surcharge and retention fields, there is a field to enter an adjustment.
2. **Does the surcharge fee still apply if no fee is collected for a permit?**  
Yes, if it is a fixed fee permit less than \$2,010.
3. **We did not collect any surcharge fees for a given month or quarter. Are we still required to submit a report?**  
Yes, a report is still required.
4. **The city has contracted with a Certified Building Official to administer the code. Can the Contract Building Official collect surcharge fees and report them to the State?**  
No. [Minnesota Statute 326B.148](#) requires the “Municipality” to collect the surcharge fees and prepare and submit a report and remittance to the State.
5. **What kinds of municipal permits does the state surcharge apply?**  
The surcharge applies to any permit that authorizes work regulated by the State Building Code. The surcharge does not apply to permits issued for zoning, land use, engineering, or other work exempt by [Minnesota Rule 1300.0120](#) subpart 4.
6. **How is the surcharge calculated for a phased project where partial permits are issued for one building?**  
The valuation for each separate permit would be used to calculate the surcharge for each permit.

**7. How do I calculate the surcharge for a valuation-based permit?**

For this example, the municipality:

- a. Has one (1) permit for the reporting period.
- b. A Total Valuation for the 1 permit issued is \$3,800,000.
- c. Owes a surcharge fee to the Department of Labor and Industry in the amount of \$1,360.

Permits Based on Valuation – All Permits (Building, Electrical, Mechanical, Plumbing, Other)				
Construction Value Range	Number of ALL Permits	Total Valuation	Computation (to determine Surcharge)	Surcharge
\$1,000,000 or less			Multiply total valuation by .0005	
\$1,000,001 to \$2,000,000			(Valuation - \$1,000,000) x 0.0004 + \$500	
\$2,000,001 to \$3,000,000			(Valuation - \$2,000,000) x 0.0003 + \$900	
<b>\$3,000,001 to \$4,000,000</b>	<b>1</b>	<b>\$3,800,000</b>	<b>(Valuation - \$3,000,000) x 0.0002 + \$1,200</b>	<b>\$1,360</b>

**How to calculate a surcharge amount based on valuation**

**Step 1:** In the table above, find the Construction Value Range for your Total Valuation this reporting period (highlighted above for this example).  
**Step 2:** In the table above, provide the total number of permits issued for this reporting period (1 permit was issued for this example).  
**Step 3:** in the table above, provide the total valuation for permits issued for this reporting period (\$3,800,000 is the number for this example).  
**Step 4:** Calculate your surcharge as follows and as noted in the example below.  
**Step 4a:** Write down your total valuation for the reporting period.  
**Step 4b:** Subtract \$3,000,000 from the number written down for Step 4a. This number is found in the Computation column for your “Construction Valuation Range” (is in the highlighted row of the table above).  
**Step 4c:** Multiply the result in Step 4b by 0.0002. This number is found in the Computation column for your “Construction Valuation Range” (is in the highlighted row of the table above).  
**Step 4d:** Add \$1,200 to the result in Step 4c. (\$1,200 is the predetermined portion of your surcharge fee). This number is found in the “Computation” column for your “Construction Valuation Range” (is in the highlighted row of the table above).  
**Step 4e:** This is your “Total Surcharge Amount”. This is the amount to be reported in the “Surcharge” column in the row of your “Construction Valuation Range” (is in the highlighted row of the table above). This is the amount to be paid to Department of Labor and Industry for this example.

<b>(Step 4a)</b> Total Valuation	\$3,800,000
<b>(Step 4b)</b> Subtract	<u>(3,000,000)</u>
	\$ 800,000 (Use for 4c)
<b>(Step 4c)</b> Multiply \$800,000 by .0002	\$ 160
<b>(Step 4d)</b> Add \$1,200	<u>1,200</u>
<b>(Step 4e)</b> Total Surcharge amount	\$1,360

**Example**

**Note:** To calculate a surcharge fee, start in the left column titled “Construction Valuation Range.” In this column, move downward until the reporting period’s valuation fits within the range noted in the cell. Then, work the cell’s row from left to right. As you work the row, provide the information requested and complete the calculation noted in the “Computation” column. The surcharge fee is the result of this calculation.