



Construction Codes and Licensing Division

Minnesota Building Permit Surcharge Report Manual





INTRODUCTION

The Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry prepared this manual to assist local jurisdictions in understanding the state surcharge report. The Construction Codes and Licensing Division has redesigned the Monthly/Quarterly Building Permit Surcharge Report forms in an attempt to make them easier to understand and to ensure accuracy. This manual will provide and identify the law and codes pertaining to the surcharge report forms.

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Minnesota Statute § 326B.148

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 50 cents, except that effective July 1, 2011, until June 30, 2013, 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.

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. By November 30 each year, the commissioner must report to the commissioner of management and budget and to the legislature on changes in the surcharge imposed in subdivision 1 needed to comply with this policy. In making this report, the commissioner must assume that the services associated with administering sections 326B.101 to 326B.194 will continue to be provided at the same level provided during the fiscal year in which the report is made.

The Code for Permit Fees

MN Rule 1300.0160

Subpart 1. **Schedule of permit fees.** The applicant for a permit for a building; structure; or electrical, gas, mechanical, or plumbing system or alterations requiring a permit shall pay the fee set forth by a fee schedule adopted by the municipality.

When submittal documents are required to be submitted by this chapter, a plan review fee shall be required. The plan review fee shall be established by the fee schedule adopted by the municipality.

Exception: The fee schedule adopted by the municipality may exempt minor work from plan review fees.

Subp. 2. **Fees commensurate with service.** Fees established by the municipality must be by legal means and must be fair, reasonable, and proportionate to the actual cost of the service for which the fee is imposed.

Subp. 3. **Building permit valuations.** The applicant for a permit shall provide an estimated permit value at time of application. Permit valuations shall include 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. Building permit valuation shall be set by the building official.

Exceptions: Building permit valuations for the following structures shall be based on the valuation of on-site work only:

A. manufactured homes containing a Housing and Urban Development (HUD) certification label;

B. prefabricated buildings with a Department of Labor and Industry prefabrication label; and

C. industrialized/modular buildings with an Industrialized Building Commission (IBC) label.

Subp. 4. **Building permit fees.** Building permit fees shall be based on valuation.

Exceptions:

A. one- and two-family dwelling maintenance permits for roofing, siding, windows, doors, or other minor projects may be charged a fixed fee;

B. permits for plumbing, mechanical, electrical, or other building service equipment systems may be based on valuation or charged a fixed fee.

Subp. 5. **Plan review fees for similar plans.** When submittal documents for similar plans are approved under subpart 6, plan review fees shall not exceed 25 percent of the normal building permit fee established and charged by the jurisdiction for the same structure.

Subp. 6. **Plan review of similar plans.**

A. Any number of similar buildings may be built from a master plan if:

(1) plan review fees have been paid for the master plan;

(2) a code change has not occurred that impacts the design of a master plan;

(3) the similar building has the same physical dimensions and structural design as the master plan;

Exception: The following modifications to the master plan are not considered to be significant modifications, according to Minnesota Statutes, section 326B.106, subdivision 1, and are permitted for dwelling units and their accessory structures built to the International Residential Code, and residential occupancies built to the International Building Code that are three stories or less in height and their accessory structures:

(a) foundation types to include walkout, lookout, and full basement;

(b) foundation materials to include poured concrete, masonry units, and wood;

(c) garage dimensions;

(d) roof design changed by a revised truss plan approved by the building official;

(e) bays or cantilevered floor areas;

(f) decks and porches; and

(g) other modifications approved by the building official;

(4) occupancy groups other than those identified in the exceptions listed in part 1300.0160, subpart 6, item A, subitem (3), must be the same type of construction and occupancy classification and must have the same exit system;

Exception: Minor changes to the exit access; and

(5) the similar plan is based on a master plan for which the municipality has issued a permit within the last 12 months.

B. Plan review fees for similar building plans must be based on the costs commensurate with the direct and indirect cost of the service, but must not exceed 25 percent of the normal building permit fee established and charged by the municipality for the same structure.

C. The plan review fee charged for similar building plans applies to all buildings regulated by the code regardless of occupancy classification including industrialized/modular buildings constructed under a program specified in Minnesota Statutes, section 326B.194.

D. The applicant must submit a new plan set and other information as required by the building official for each building reviewed as a similar building.

Subp. 7. **Payment of fees.** A permit shall not be issued until the fees prescribed by the municipality have been paid.

Subp. 8. **Work commencing before permit issuance.** If work for which a permit is required by the code has been commenced without first obtaining a permit, a special investigation shall be made before a permit may be issued for the work. An investigation fee established by the municipality shall be collected and is in addition to the required permit fees, but it may not exceed the permit fee.

Subp. 9. **Fee refunds.** The municipality shall establish a permit and plan review fee refund policy.

Subp. 10. **State surcharge fees.** All municipal permits issued for work under the code are subject to a surcharge fee. The fees are established by Minnesota Statutes, section 326B.148. Reports and remittances by municipalities must be filed with the commissioner, directed to the attention of the state building official.

Surcharge fees imposed by the state are in addition to municipal permit fees. Surcharge report forms and information may be obtained by writing the commissioner, to the attention of the state building official.

The Code For Permits, Commentary

Minnesota Rule Section 1300.0160 Fees

Subpart 1. Schedule of permit fees. Each municipality must determine their permit fee schedules. The State Building Code does not adopt fee schedules for municipalities. Some examples are provided in the helpful information section of the State Building Code and the Code Administration Services manual.

Subpart 2. Fees commensurate with service. Permit fee schedules for building, plumbing, mechanical, electrical and any other building service equipment systems must be adopted by legal means. The fees are intended to offset the cost of administration of the State Building Code.

Subpart 3. Building permit valuations. The “valuation” of a building or structure used to determine a building permit fee is a method that has been used in Minnesota for decades. Valuations should be consistent with the cost of construction within each municipality. Variations of valuation from municipality to municipality are expected. For the general building permit, the valuation of the entire building and all building service systems is used. There are **three exceptions** to this rule for, **A.** manufactured homes, **B.** prefabricated buildings and **C.** industrialized/modular buildings. The valuation for these buildings is based on the on-site work only.

- A.** Manufactured homes with a Housing and Urban Development (HUD) certification label are built in a factory and inspected for compliance with Federal Construction Standards. See MN Rules Chapter 1350
- B.** Prefabricated buildings with a Department of Labor & Industry prefabrication label. These are One and two family dwellings or storage utility buildings that are constructed on or off the building site to the State Building Code that have the plans reviewed and construction inspected by the State Building Code Division. See MN Rules Chapter 1360.
- C.** Industrialized/modular buildings with an Industrialized Building Commission (IBC) label. These are buildings constructed off-site to the State Building Code that have the plans reviewed and construction inspected by an IBC Third Party Agency. See MN Rules Chapter 1361.
 - 1. Fixed fees may be established for items A, B & C listed above, such as connection of units in multi-unit buildings, connection of units to foundation or support system installation, and utility connections to the units.
 - 2. Hourly charges (a type of fixed fee) for inspection may be established for on-site items that would not be typical to all on-site items noted in #1 above. Example, HUD manufactured homes constructed under an alternate construction (AC) letter. Roof systems/siding/equipment requiring on-site completion on manufactured homes, prefabricated buildings, or industrialized/modular buildings.

Subpart 4. Building permit fees. Building permit fees must be based on the valuation (cost) of the building. There are **two exceptions** to this rule for **1.** One and two family maintenance permits. **2.** Permits for building service equipment systems.

1. For One and two family dwellings, fixed fees may be established for; roofing, siding, windows, doors and other minor building projects. For example, a roofing or siding permit can be based on a fixed fee of \$X per 100 square feet of area. Similarly, windows and doors permits can be based on a fixed fee of \$X for each unit to be installed. This section does not require these types of permits to be based on a fixed fee. The intention of this exception was to promote one and two family dwelling maintenance with minimum permit fees.
2. Permits for building service equipment systems such as plumbing, mechanical or electrical may be based on the valuation or on fixed fees.

Permit Fee Schedules

In this section you will find an explanation of the surcharge law and how it relates to permit fees, and a clarification of fixed fees and valuation based fees. Included is a link to fee schedule examples.

Fixed Fee Based Permit Schedules

The surcharge law states the following for “fixed fee” permits:

“If the fee for the permit issued is fixed in amount the surcharge is equivalent to one-half mill (.0005) of the **fee** or 50 cents, except that effective July 1, 2011, until June 30, 2013, the permit surcharge is equivalent to one-half mill (.0005) of the fee or \$5, whichever amount is greater.

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 \$10,010, then the surcharge fee is \$5.00. When the fee charged for the permit is \$10,010 or more, then the surcharge is .0005 times the permit fee. (The surcharge fee changes from \$5.00 to \$5.01 at \$10,010.)

The surcharge forms are designed to allow entries for permits when the fee is less than \$10,010 and when the fee is \$10,010 or more. When the fee for the permit is less than \$10,010 you need to enter only the number of permits issued to calculate the surcharge. When the fee is \$10,010 or more you need to enter the number of permits and the total fees collected to calculate the surcharge. The surcharge fees are automatically calculated.

Valuation Based Permit Schedules

The surcharge law requires that permits other than “fixed fee” must be assessed a surcharge in accordance with a graduated valuation schedule in MN. Stat. 326B.148.

The surcharge for these permits is based on the valuation of the work 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.

The surcharge forms are designed to allow entries into the six categories and automatically calculate surcharge fees.

Link to Sample Fee Schedules

The link directly below has examples of sample fee schedules.

www.dli.mn.gov/CCLD/GovPermit.asp

Questions and Answers

There are two types of surcharge fees that apply to permits issued by municipalities for the construction of buildings, additions and alterations and installation of equipment or appurtenances.

The two types of surcharge fees are known as a fixed fee based permit surcharge and a valuation based permit surcharge.

Q What is a “Fixed Fee” based permit?

A A “Fixed Fee” permit assesses a certain fixed amount for each fixture, service opening or appliance installed. Fixed fees may be assessed for one and two family maintenance permits. See MN Rule 1300.0160 subpart 4A.

Q What is a “Valuation” based permit?

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

Q May a permit for a new building or addition to a building be based on a fixed fee?

A No. MN Rule 1300.0160 subpart 4 requires building permits to be based on the valuation of the construction.

Q May 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?

A Yes. MN Rule 1300.0160 specifically allows these projects to be based on fixed fees.

Q If a permit fee is refunded, must the surcharge fee also be refunded?

A Yes.

Q 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?

A Use the “Adjustment/ Amendment” line in the Summary at the end of the report to subtract the refunded fee, then use the “Adjustment/ Amendment” box to explain the refund.

Q Does the surcharge fee still apply if no fee is collected for a permit?

A Yes.

Q We did not collect any surcharge fees for a given month or quarter. Are we still required to submit a report?

A Yes.

Q The city has contracted with a Certified Building Official to administer the code. May the Contract Building Official collect surcharge fees and report them to the State?

A No. Minnesota Statute 326B.148 requires the “Municipality” to collect the surcharge fees and prepare and submit a report and remittance to the State.

Q What kinds of municipal permits does the state surcharge apply or not apply to?

A The surcharge applies to any permit that authorizes work regulated by the State Building Code. The surcharge does not apply if the permit is for work not regulated by the State Building Code or if a zoning, land use, engineering or other permit is issued for an item exempt from a building permit by MN Rule 1300.0120 subpart 4.

Q How is the surcharge calculated for a phased project where partial permits are issued for one building?

A The valuation for each separate permit would be used to calculate the surcharge for each permit.

Q Are permits required for plumbing, mechanical and electrical work if a building permit is issued for a building?

A Yes, unless the work is exempt from a permit by MN Rule 1300.0120 subpart 4.

Q MN. 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?

A Yes. MN. Rule 1300.0160 subpart 3 allows for the separate permits to be based on valuation or fixed fees.

Several years ago the International Conference of Building Officials responded to a question related to the question directly above. The question and their response was published in their Application / Interpretation manual. The question and answer follows:

Q Our building department has separate permit fees for gas, wiring, mechanical, plumbing, etc. Are we charging a double permit fee, when the building permit fee itself is based on a total valuation including the wiring, plumbing, mechanical, etc?

A (No) The building permit fees outlined in the code are set to cover the costs incurred by the jurisdiction in providing plan checking and inspection services. Included in these costs are administration and overhead. These fees are determined using the total valuation of the building, as the construction cost is generally proportional to the amount of work necessary to provide the service. Therefore, the use of valuation is only a device used to establish the building permit fees. The fee is adjusted periodically, based on the costs of operating the typical building department. Square footage could just as well have been the basis for charging for permit fees and, in fact, many jurisdictions use square footage. However, the use of valuation has other benefits to the jurisdiction, as it establishes a convenient way of determining the dollar volume of business being conducted by the construction industry in that jurisdiction. Another advantage is that adjustments in the fee schedule need not be made as often when the fee is based on valuation due to inflation. Generally changes in the schedule are due to increases in services. For example there was a substantial increase in services when the department began applying energy conservation requirements.

The building permit fees collected by a jurisdiction should be sufficient to cover only the costs of providing the service and a share of the administrative and overhead costs needed to make the building department self-sustaining. If the fees charged are substantially greater than the costs of providing the service, the jurisdiction should examine its services to see if it is providing the proper quality and quantity of service and make adjustments as necessary.