

INDIVIDUAL INCOME TAX
Automobile Subtraction

February 2, 2001

Department of Revenue
Analysis of H.F. 339 (Dempsey)/S.F.377 (Murphy)

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings	X	

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
			(000's)	
General Fund	(\$91,000)	(\$92,800)	(\$94,700)	(\$96,600)

Effective beginning with tax year 2001.

EXPLANATION OF THE BILL

Current Law: Minnesota currently conforms to federal law concerning the deduction for depreciation of vehicles used in a business.

Proposed Law: The proposal would allow a subtraction on the Minnesota return of \$1,000 for one automobile per return if not already deducted as a business expense. The subtraction may be used no more than six years for the same vehicle and may not exceed the price of the vehicle.

REVENUE ANALYSIS DETAIL

- It is estimated that there were 3,779,197 passenger vehicles in MN at the end of CY 2000.
- The rate of growth for the statewide vehicle fleet is approximately 2.0% per year.
- The number of vehicles owned by businesses (335,500) plus the number of vehicles leased by companies (165,600) was previously estimated by the Department of Public Safety to be 501,100 for CY 1998.
- National CES data indicates that there were 1.9 passenger vehicles per household in CY 1999.
- Using these figures, it is estimated that 1.7 million automobile subtractions could be used annually at a tax savings of \$65 each.
- This number is reduced by 15%, to 1.4 million, to account for taxpayers who have no tax liability.
- Growth of two percent annually is assumed.

Number of Taxpayers Affected: about 1,400,000 returns.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>