

**MOTOR VEHICLE SALES TAX
Unmarked Police Cars**

February 23, 2001

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

Department of Revenue

Analysis of S.F. 113 (Kinkel) / H.F. 321 (Fuller) – **Analysis Revised to Correct Fund Designation**

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
	(000's)			
Motor Vehicle Sales Tax	(\$330)	(\$258)	(\$269)	(\$282)
Highway User Tax Distribution Fund	(\$0)	(\$122)	(\$126)	(\$133)
Total – All Funds	(\$330)	(\$380)	(\$395)	(\$415)

Effective for sales made after June 30, 2001.

EXPLANATION OF THE BILL

Marked police patrol vehicles are currently exempt from the motor vehicle sales tax. The proposal would exempt from the motor vehicle sales tax the purchase or use by a political subdivision of unmarked vehicles that are used for general police work or liquor or arson investigations.

REVENUE ANALYSIS DETAIL

- It is estimated that there were 1,050 unmarked police vehicles owned by political subdivisions in Minnesota in fiscal year 1999.
- The number of police vehicles in the state is assumed to increase at a rate of 2.0% per year which is consistent with the statewide passenger vehicle growth rate as reported by the Department of Public Safety – Driver and Vehicle Services Division.
- A small adjustment was made for the number of unmarked vehicles owned by political subdivisions and used for liquor or arson investigations.
- The current average police patrol vehicle price estimate of \$21,500 was based on national average car prices and information received from a large vendor of patrol vehicles in Minnesota.
- A price growth factor of 2.5% per year was applied.
- The estimate of 5 years for expected length of ownership was based on national statistical data from the *1999 Ward's Motor Vehicle Facts and Figures* publication.
- The fiscal year 2002 estimate was reduced to reflect 11 months of collections.
- Effective July 1, 2002, 32% of the motor vehicle sales tax is deposited in the highway user tax distribution fund.

Number of Taxpayers Affected: There are approximately 450 police departments in the state.

ADMINISTRATIVE/OPERATIONAL IMPACT:

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

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