

**SALES AND USE TAX  
EXEMPTION FOR DIESEL FUEL  
USED BY A COMMUTER RAIL  
SYSTEM**

April 2, 2001

Department of Revenue  
Analysis of S.F. 458 (Betzold) / H.F. 583 (Hackbarth)

	Yes	No
Separate Official Fiscal Note Requested	X	
<b>Fiscal Impact</b>		
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>F.Y. 2005</u>
			(000's)	
General Fund	0	0	0	(\$29)

The proposal is effective for purchases made after June 30, 2001.

**EXPLANATION OF THE BILL**

**Current Law:** Diesel fuel used by a commuter rail system in Minnesota is subject to the sales and use tax.

**Proposed Law:** This bill would provide a sales tax exemption for diesel fuel used by a commuter rail system.

**REVENUE ANALYSIS DETAIL**

- According to the Minnesota Department of Transportation, the Northstar Corridor is the only part of the system that will be operating during the period of this analysis. The Department of Transportation estimated that annual fuel usage would be about 900,000 gallons. Operation for this corridor is expected to begin January 1, 2005.
- The retail price of diesel fuel as of March 9, 2001, is \$1.45. No price increase for diesel is assumed. The price was reduced by \$.20 because the fuel would not be subject to the state motor fuels excise tax and by \$.244 because it would not be subject to the federal excise tax on diesel fuel.
- The estimated full-year revenue loss is \$59,000. The fiscal year 2005 loss would be about \$29,000 due to the January 1, 2005, expected start-up date.
- Beyond FY 2005, two additional corridors, the Red Rock Corridor and the Dan Patch Corridor, are expected to be in operation. By looking at the miles of track planned, it is estimated each additional system will use 450,000 gallons of fuel.

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**Number of Taxpayers Affected:** Initially, owners and operators of the Northstar Corridor commuter rail system.

**ADMINISTRATIVE/OPERATIONAL IMPACT**

See fiscal note for HF 583.

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

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