

**GENERAL SALES AND USE TAX  
MOTOR VEHICLE SALES TAX  
County Road Maintenance Materials and Equipment**

February 16, 2001

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested		X
<b>Fiscal Impact</b>		
DOR Administrative Costs		X

Department of Revenue  
Analysis of S.F. 475 (Vickerman) / H.F. 569 (Molnau)

	<b>Revenue Gain or (Loss)</b>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
	(000's)			
General Fund	\$(1,570)	\$(1,810)	\$(1,910)	\$(2,000)

Effective July 1, 2001

**EXPLANATION OF THE BILL**

**Current Law:** Generally, sales to local units of government (except school districts) have been subject to the sales and use tax since 1992. Local government purchases of motor vehicles have been subject to the motor vehicle sales tax since 1987.

An exemption identical to the one contained in this bill is now available for townships.

**Proposed Law:** The bill gives a sales and use tax exemption to counties for gravel, machinery, equipment, and accessories, and leased motor vehicles used exclusively for road and bridge maintenance. It also provides a motor vehicle sales tax exemption for purchases of certain vehicles used exclusively for road maintenance. The exemption includes snowplows and dump trucks but does not include cars, vans, or pickup trucks.

The exemption does not include repair and replacement parts. The exemption also does not apply to sales tax paid by contractors doing road work for a county under a lump sum construction contract covering materials and labor. In such cases the contractor must pay sales or use tax on any taxable materials used.

**REVENUE ANALYSIS DETAIL**

- The estimate was based on the State Auditor report of the revenues, expenditures, and debt of Minnesota counties for calendar year 1998.
- Currently taxable expenditures in the categories "streets and highways maintenance" and "streets and highways capital outlay" which qualify for exemption under the bill were estimated and multiplied by the 6.5 tax rate.
- The 1998 base-year amounts were increased annually through 2005 by the historical and projected growth in state and local government spending according to DRI/McGraw-Hill, Inc.

- The calendar year figures were converted to fiscal year amounts. The estimate for fiscal year 2002 was reduced by one-twelfth to reflect an effective date of July 1, 2001 (11 months of impact).

**Number of Jurisdictions Affected:** 87

**ADMINISTRATIVE/OPERATIONAL IMPACT**

There are no administrative or operational costs to the Department of Revenue in administering this bill.

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