

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Credit for Carsharing Expenses

March 29, 2004

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

Department of Revenue
Analysis of H.F. 2696 (Hornstein) / S.F. 2655 (Dibble)

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>FY2006</u>	<u>FY2007</u>
		(000's)		
General Fund	\$0	(\$0)	(\$34)	(\$37)

Effective for tax years beginning on or after January 1, 2005.

EXPLANATION OF THE BILL

Current Law: There is no credit for carsharing expenses.

Proposed Law: The bill would create a non-refundable tax credit up to \$390 per year for membership fees and monthly dues to carsharing organizations paid by a taxpayer or for those fees and dues paid on behalf of the taxpayer's employees. The carsharing fees and dues must be paid to a qualified carsharing organization.

A qualified carsharing organization is organized under section 501(c) of the Internal Revenue Code. The organization is comprised of members who purchase the use of a motor vehicle. The organization has a fleet of vehicles for the members to use on an hourly or per trip basis. Members of the organization are not assigned exclusive rights for the use of the vehicle, and they do not take sole possession of the vehicle.

REVENUE ANALYSIS DETAIL

- No carsharing organizations exist in Minnesota. Several organizations are in the planning stages of opening carsharing organizations in the Metro area. The analysis assumes they will be operating in calendar year 2005
- Membership fees charged by carsharing organizations vary from city to city. This analysis assumes a membership fee of \$100. The assumption is based on the rough average charged by existing carsharing organizations.

REVENUE ANALYSIS DETAIL (cont.)

- According to the website www.carsharing.net, membership in carsharing organizations varies widely across the country. The Boston carsharing organization has 4,200 members whereas the Aspen organization has 20 members. Membership varies with the size of the city, and membership varies with how long a carsharing organization has been in existence. The ratio of members to cars is between 8 to 50 members per car. This analysis assumes 20 members per car. This assumption is based on the rough average of members per car for existing carsharing organizations.
- It is difficult to predict the membership of carsharing organizations. It is assumed that carsharing organizations in Minnesota will have at least 100 members during calendar year 2005.
- Membership dues cover part of the revenue collected by carsharing organizations. The other part of their revenue is from per hour and per mile charges. The credit covers membership fees and monthly dues.
- Based on the experience of carsharing organizations in other cities, it is assumed that carsharing organizations will charge monthly dues of \$20. Some pricing plans offered in other cities have members pay higher per month dues in exchange for a set amount of hours and mileage without an additional charge. Whether all or part of the dues from these plans are considered monthly dues is uncertain.
- It is not known at this time how many employers will offer to pay their employees' carsharing fees and monthly dues as an employee benefit.
- It appears there has been rapid growth in use of carsharing in other cities. Given the rapid growth in other cities, it is assumed that membership in carsharing organizations will grow at 10% per year.
- The credit would first affect collections in fiscal year 2006 when taxpayers file their 2005 tax returns.

Number of Taxpayers Affected: About 100 taxpayers would claim the tax credit

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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