MINNESOTA · REVENUE

MOTOR VEHICLE REGISTRATION TAX
Dealer Titles

April 1, 2004

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

Department of Revenue
Analysis of S.F. 1957 (Moua) / H.F. 2024 (Beard) – **Preliminary Analysis**

	Revenue Gain or (Loss)			
	F.Y. 2004	**F.Y. 2005**	**F.Y. 2006**	**F.Y. 2007**
		(000's)		
Highway User Tax Distribution Fund	$0	($850)	($860)	($880)

Effective August 1, 2004

EXPLANATION OF THE BILL

Current Law: Vehicles owned and operated in Minnesota are subject to an annual value-based registration tax. If an automobile dealer elects to title a vehicle in the dealership's name, the dealer is required to pay the annual registration tax.

Proposed Law: The Department of Public Safety can register (or renew the registration of) a vehicle that has a Minnesota certificate of title and is being held for resale by a dealer, even though the dealer is not taking title to the vehicle.

Also, if a dealer applies for a certificate of title on a vehicle held for resale, the dealer is not required to register the vehicle and is required to pay one month of the annual registration tax. There is a provision that directs that the Department of Public Safety will not place a legend on the title that indicates that the dealer did not pay sales tax.

REVENUE ANALYSIS DETAIL

- Information from the Department of Public Safety, Driver and Vehicle Services Division, indicates that they are currently requiring dealers to pay one year of registration tax if they take title to the vehicle. Under specific circumstances, a dealer may, alternately, be able to use dealer plates.
- There are approximately 520 new car dealers and 1,150 used car dealers in Minnesota. A review of selected individual registration records indicates that many of these dealers are currently taking title to vehicles and paying the annual registration tax.

REVENUE ANALYSIS DETAIL (cont.)

- The dealers are not registering exclusively new vehicles. There were a significant number of $189 and $99 maximum registrations noted in the review of selected individual registration records.
- It is expected that the proposal would result in a loss of revenue to the motor vehicle registration tax. The average number of vehicles titled per dealer appears to be in the 2-10 vehicles per dealer range. It is expected that the proposal would encourage dealers to title more vehicles and pay the one month registration (in lieu of dealer plate usage) in addition to the existing set of vehicles titled by dealers.
- For this analysis, it is assumed that dealers are currently titling an average of three vehicles each with an average registration tax paid of $189. Additionally, it is assumed that there will be 50% more titled vehicles per dealer after enactment with an average of $16 of registration tax paid per vehicle.
- It is estimated that the registration tax paid amounts will increase by 2% per year.
- It is assumed that excluding the legend on the title that no motor vehicle sales tax was paid by the dealer will not have an impact on the motor vehicle sales tax.

Number of Taxpayers: There are approximately 520 new automobile dealers and 1,150 used car dealers in Minnesota.

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

sf1957(hf2024)-1 / rrs