

MINNESOTA • REVENUE

MOTOR VEHICLE SALES TAX Dedication Changes

March 29, 2004

Department of Revenue
Analysis of H.F.3106 (Seifert)

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

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
Highway User Tax Distribution Fund	\$0	\$0	\$57,300	\$122,800
General Fund	\$0	\$0	(\$57,300)	(\$122,800)

Effective July 1, 2004.

EXPLANATION OF THE BILL

Current Law: The sales of motor vehicles are generally subject to the motor vehicle sales tax. The statutory dedication of motor vehicle sales tax revenues provides for deposits into several funds. For fiscal years 2004 through 2007, the dedication is 30% to the Highway User Tax Distribution Fund, 21.5% to the Metropolitan Area Transit Fund, 1.43% to the Greater Minnesota Transit Fund, 0.65% to the County State-Aid Highway Fund, 0.17% to the Municipal State-Aid Street Fund, with the remaining amount - 46.25% - to the General Fund.

For fiscal year 2008 and beyond, dedication percentages vary somewhat for the Highway User Tax Distribution Fund, Metropolitan Area Transit Fund, and Greater Minnesota Transit Fund. The dedications to the County State-Aid Highway Fund and the Municipal State-Aid Highway Fund are ended. The dedication of the remainder to the General Fund stays at 46.25%.

Proposed Law: The bill would have an increasing portion of the remaining 46.25% (previously dedicated in total to the General Fund) dedicated to the Highway User Tax Distribution Fund (HUTDF). The distribution of the remaining 46.25% would be as follows:

	<u>HUTDF</u>	<u>General Fund</u>
Fiscal Year 2006	20%	80%
Fiscal Year 2007	40%	60%
Fiscal Year 2008	60%	40%
Fiscal Year 2009	80%	20%
Fiscal Year 2010 and after	100%	0%

Note: As drafted, the bill apparently would also be effective for fiscal year 2005, but the disposition of the 46.25% for fiscal year 2005 is not specified.

REVENUE ANALYSIS DETAIL

- Baseline revenues from the February 2004 forecast were used.
- It is assumed that the current dispositions for fiscal year 2005 would be retained.

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