

MINNESOTA • REVENUE

MOTOR VEHICLE SALES TAX AND REGISTRATION TAX Emergency Medical Vehicles

April 7, 2003

Department of Revenue
Analysis of S.F. 50 (Johnson, D.E.) / H.F. 104 (Juhnke)

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

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)			
Motor Vehicle Sales Tax				
General Fund, Nondedicated (44.25%)	(\$5)	(\$5)	(\$5)	(\$5)
General Fund, Dedicated (2%)	(\$0)	(\$0)	(\$0)	(\$0)
Highway User Tax Distribution Fund (32%)	(\$4)	(\$4)	(\$4)	(\$4)
Metro Area Transit Fund (20.5%)	(\$2)	(\$2)	(\$2)	(\$2)
Greater MN Transit Fund (1.25%)	(\$0)	(\$0)	(\$0)	(\$0)
Total - MVST	(\$11)	(\$11)	(\$11)	(\$11)
Motor Vehicle Registration Tax				
Highway User Tax Distribution Fund	(\$4)	(\$4)	(\$4)	(\$4)
Total - All Funds	(\$15)	(\$15)	(\$15)	(\$15)

Motor vehicle registration tax changes effective July 1, 2003

Motor vehicle sales tax changes effective for sales and purchases made on or after July 1, 2003.

EXPLANATION OF THE BILL

Current Law: The sale of a motor vehicle is generally subject to the motor vehicle sales tax. There is a current law exemption from the motor vehicle sales tax for licensed ambulances.

Vehicles owned and operated in Minnesota are subject to an annual price based registration tax. There is a current law exemption from the registration tax for licensed ambulances.

Proposed Law: Vehicles used to provide emergency medical services by the state, a political subdivision, or a licensed ambulance service but that are not required to be licensed as an ambulance would be exempt from the motor vehicle sales tax and the motor vehicle registration tax.

REVENUE ANALYSIS DETAIL

- It is assumed that the exemption would apply only to vehicles used primarily or exclusively to provide emergency medical services and excludes administrative vehicles.
- The Emergency Medical Services Regulatory Board (EMSRB) provided information regarding their licensing of ambulances. They indicated that there are already some special-purpose vehicles (e.g. four wheel drive vehicles) that have been fully equipped as an ambulance and received a variance (since they did not meet some requirements such as height). The variance allowed them to be licensed as an ambulance eligible for the current exemption from the sales tax and the registration tax.
- There were 289 municipal and private ambulance services in Minnesota in calendar year 2002. There were 762 ambulances owned by the 289 ambulance services. There were 13 services with 8 or more ambulances. There were 32 services that had 4 or more vehicles with most services having only one or two vehicles.
- It is estimated that about 5% of the ambulance services (15) would have a vehicle that would qualify as a vehicle used to provide emergency medical services as defined in the proposal.
- It is estimated that the vehicles are replaced about every five years.
- The cost per vehicle is estimated to be about 70% of the average cost of an ambulance since these vehicles may tend to be smaller in size.
- Price growth was assumed to be 2% per year.
- The average price based registration tax for this set of vehicles is estimated to be \$238.

Number of Taxpayers: It is estimated that approximately 15 ambulance services would have a qualifying vehicle exempt from the annual registration tax and that about 3 vehicles per year would qualify for the sales tax exemption.

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