MINNESOTA·REVENUE

MOTOR VEHICLE SALES TAX
SALES AND USE TAX
Dealer Purchase/Use of Vehicles

March 24, 2003

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

Department of Revenue
Analysis of S.F. 438 (Pogemiller) / H.F. 704 (Brod), **As Proposed to be Amended**

	Revenue Gain or (Loss)			
	F.Y. 2004	**F.Y. 2005**	**F.Y. 2006**	**F.Y. 2007**
	(000's)			
All Funds	$0	$0	$0	$0

Effective August 1, 2003.

EXPLANATION OF THE BILL

Current Law: The sale of a motor vehicle is generally subject to the motor vehicle sales tax. Purchase of a motor vehicle by a dealer may be exempt as a sale for resale. Purchase of a motor vehicle by a motor vehicle dealer that is used by the dealership prior to sale is subject to the motor vehicle sales tax. Payment of a use tax, by the motor vehicle dealer, on the fair market rental value of the vehicle has been an allowed administratively by the Department of Revenue.

Proposed Law: As proposed to be amended, the bill clarifies the law and reflects the current administrative position of the Department of Revenue. If a motor vehicle dealer purchases a vehicle for resale but uses the vehicle for other than demonstration purposes, the dealer may elect to pay the motor vehicle sales tax or the use tax based on the reasonable rental value of the vehicle.

The proposal further clarifies that the loan of a vehicle from a dealer to a customer while the customer's vehicle is being serviced/repaired under a warranty is not a taxable sale. This is consistent with current law.

REVENUE ANALYSIS DETAIL

- The bill, as proposed to be amended, is consistent with the Department of Revenue's current administrative position. Therefore, there is no revenue impact.

Number of Taxpayers: There were approximately 500 new car automobile dealers and 1,100 used car dealers in Minnesota for calendar year 2001.

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

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