

# MINNESOTA • REVENUE

## SALES AND USE TAX Fuel for Commuter Rail

April 23, 2004

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

Department of Revenue  
Analysis of S.F. 3045 (Betzold) **Preliminary Analysis**

	<b>Revenue Gain or (Loss)</b>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for purchases made after June 30, 2004

### EXPLANATION OF THE BILL

**Current Law:** Diesel fuel use by a commuter rail system in Minnesota is exempt from the state motor fuels excise tax and thereby subject to the sales and use tax.

**Proposed Law:** Products purchased as fuel for commuter rail systems would be exempt from the sales and use tax. The tax would continue to be imposed and collected at the time of purchase and then be eligible for refund.

### REVENUE ANALYSIS DETAIL

- The Northstar Planning Group reports that with state funding in 2004 the initial phase of the commuter rail will be fully operational within four years.
- Information from the Department of Transportation confirms that the diesel fuel exemption would not have a fiscal impact until after fiscal year 2007.
- The price of diesel fuel has been rising in 2004 and was \$1.68 per gallon as of 4/19/2004.
- The diesel fuel that is used by the commuter rail system would be exempt from the state motor fuels excise tax (20¢) and the federal excise tax on diesel fuel (24.4¢). The average retail price of diesel fuel would be reduced by the 44.4¢ for these exemptions.
- Previous information indicates that annual diesel fuel consumption would be approximately 450,000 gallons per year.
- The annual cost of the sales tax exemption for diesel fuel would be about \$36,000 annually based on the current price of diesel fuel.
- It is expected that additional commuter rail corridors will be constructed and eligible for the exemption in later years.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)