Senate Omnibus Tax Bill

April 28, 2008

State Taxes Only – See Separate Analysis for Property Taxes and Local Aids

	Yes	No
DOR Administrative Costs/Savings	x	

Department of Revenue
Analysis of S.F. 2869 (Bakk), 2nd Engrossment, Estimates Revised for Updated Information

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
	(000's)			
Individual Income Tax				
Subtraction for AmeriCorps Education Awards (1/1/08)	$0	($110)	($110)	($120)
Corporate Franchise Tax				
Changes to Foreign Operating Corporation Provisions (1/1/08)	$0	$95,900	$75,700	$78,300
Changes to Foreign Royalty Provisions (1/1/08)	$0	$10,900	$8,600	$8,900
Interaction Between FOC and Royalty Provisions	$0	$2,200	$1,700	$1,800
Changes in Apportionment of Income for Mutual Fund Service Providers (1/1/09)	$0	($600)	($2,100)	($2,200)
Eliminate Adjustment for Certain Pollution Control Facilities (1/1/08)	$0	($50)	$20	$20
Sales and Use Tax				
Exempt Repair and Replacement Parts for Emergency Response Vehicles (7/1/08)	$0	($2)	($2)	($2)
Exemptions for Northstar Commuter Rail Construction Materials, Vehicles, Parts (1/1/07)	$0	($3,100)	($2,400)	($100)
Exemption for Central Corridor Light Rail Construction Materials* (7/1/08)	$0	$0	($1,830)	($4,040)
Exemption for Minnetonka Water Treatment Facility (prior to 12/31/06)	$0	($140)	$0	$0
Motor Vehicle Sales Tax				
Exempt Propane-Fueled School Buses (7/1/08)	$0	($5)	($10)	($5)
Increase June Accelerated Payments from 80% to 90% (June 2009 and after)				
Sales and Use Tax	$0	$27,100	$600	$1,200
Cigarette Excise Tax	$0	$1,100	($40)	($40)
Cigarette In-Lieu Sales Tax	$0	$670	$10	$10
Tobacco Products Excise Tax	$0	$160	$5	$5
Alcoholic Beverage Taxes	$0	$760	$10	$10

*Revised Estimates

	Fund Impact			
	F.Y. 2008	F.Y. 2009	F.Y. 2010	F.Y. 2011
		(000's)		
Other Taxes				
Mortgage Registry Tax Exemption for Designated Disaster Area, DR-1717 (1/1/07)	$0	($115)	$0	$0
Designated Zones				
Terminate Designation of JOBZ Businesses (5/1/08)	$0	$1,500	$3,400	$5,100
Renaissance Zone Historic Rehabilitation Credit (1/1/09)	$0	$0	($250)	($250)
Seed Capital Investment Credit in Border City Zones** (1/1/08)	$0	$0	$0	$0
General Fund Total	$0	$136,168	$83,303	$88,588
Health Impact Fund				
Increase June Accelerated Payments from 80% to 90% (June 2009 and after)				
Cigarette Fee	$0	$1,800	($50)	($50)
Tobacco Products Fee	$0	$160	$5	$5
Health Impact Fund Total	$0	$1,960	($45)	($45)
Highway User Tax Distribution Fund				
Exempt Emergency Response Vehicles from the Motor Vehicle Registration Tax (7/1/08)	$0	($5)	($5)	($5)
Limit Gas Tax Exemption for Ambulance Services (7/1/08)	$0	Negligible	Negl.	Negl.
Exempt Propane-Fueled School Buses (7/1/08)	$0	($10)	($25)	($25)
Highway User Tax Distribution Fund Total	$0	($15)	($30)	($30)
Transit Assistance Fund				
Exempt Propane-Fueled School Buses (7/1/08)	$0	($5)	($15)	($20)
Transit Assistance Fund Total	$0	($5)	($15)	($20)
Total – All Funds	$0	$138,108	$83,213	$88,493

**Funded with existing appropriations for border city zones.

EXPLANATION OF THE BILL

Subtraction for AmeriCorps Education Awards
The bill would allow a subtraction from federal taxable income for amounts received as national service educational awards from the National Service Trust for service in an approved AmeriCorps national service program.

Changes to Foreign Operating Corporation and Foreign Royalty Provisions
A corporation's FOC status would no longer be determined by its property and payroll factors. Instead, FOC status would be determined by whether at least 80% of its gross income is from an active foreign business. The bill relies on definitions in the Internal Revenue Code to determine whether the income of an FOC is from foreign sources and to determine whether its income is attributable to the active conduct of a trade or business in a foreign country. Only foreign source income would be eligible for the dividend received deduction.

The bill adds an additional requirement to income receiving the foreign royalty subtraction. This income must be classified as income from foreign sources according to the Internal Revenue Code definitions.

Changes in Apportionment for Mutual Fund Service Providers
The mutual fund industry is organized so that there is a separation between the capital that a mutual fund holds and the services needed to operate the fund. Mutual fund service providers (MFSPs) are hired by mutual funds. Mutual funds pay MFSPs to provide a wide range of services, including distribution services (sales commissions paid to agents plus fees to advertise and promote the fund), administrative services (fees for record keeping and shareholder accounting services), and management services (fees for managing the mutual fund's assets). No capital risk is assumed by the service providers. All capital risk is assumed by investors who deposit capital in the mutual fund.

The Minnesota portion of three factors (property, payroll and sales) is used to calculate an apportionment percentage. Under current law, income from the sale of services is considered a Minnesota sale if the services are consumed in Minnesota. Since the mutual fund itself hires its service providers, current law defines the services of MFSPs to occur (to be consumed) at the mutual fund's place of business. If an MFSP is hired by a mutual fund whose place of business is in Minnesota, 100% of those services are considered Minnesota sales. In this situation a large portion of the mutual fund service provider's income is apportioned to Minnesota.

The proposed law would treat the individual investors in a mutual fund as the consumers of MFSP services. Under the proposal, if an MFSP is hired by a mutual fund whose place of business is in Minnesota, the portion of those services considered Minnesota sales would equal the portion of the mutual fund's outstanding shares owned by Minnesota residents. As a result, the proposal would reduce taxes paid by MFSPs hired by Minnesota-based mutual funds.

EXPLANATION OF THE BILL (Cont.)

In contrast, the proposal could increase taxes paid by MFSPs hired by non-Minnesota-based mutual funds. Under current law, none of these services would be considered Minnesota sales. Under the proposal, a portion equal to the share of the mutual fund's outstanding shares owned by Minnesota residents would be considered Minnesota sales. To the extent that such MFSPs had nexus in Minnesota, they would be likely to pay more tax.

If the shares are held by an insurance company as a depositor for its policyholders, the residence of the shareholder is the mailing address of the policyholders. If the mailing address of policyholders cannot be determined by the taxpayer, the receipts are excluded from both the numerator and denominator of the sales factor.

Eliminate Adjustment for Certain Pollution Control Facilities
As a general rule, capital assets are depreciated over their useful life. Under federal law, taxpayers are allowed to amortize the cost of pollution control facilities over five years. In order to be eligible for this amortization, the pollution control facility must be added to an existing plant that was operating in 1976. If the pollution control facility was placed in service and added to an existing 1976 plant on or after January 1, 1987, Minnesota law conforms to federal law. However, if the pollution control facility was placed in service and added to an existing 1976 plant on or before December 31, 1986, Minnesota law does not conform to federal law. An adjustment is made on the state return for the difference between federal and state law.

Under federal law taxpayers are allowed to amortize all of the cost of a pollution control facility provided that the facility has a useful life of fifteen years. Amortization is limited if a facility has a useful life of more than fifteen years. The portion of useful life exceeding fifteen years multiplied by the cost of the pollution control facility must be depreciated. A pollution control facility with a useful life of fifteen years and placed in service in during 1986 would be fully depreciated in 2001. A pollution control facility with a useful life of twenty years and placed in service during 1986, would be fully depreciated in tax year 2006.

Under the proposal, taxpayers would claim a one-time subtraction equal to the sum of all subtractions that they were scheduled to take in tax years beyond tax year 2008.

Exempt Repair and Replacement Parts for Emergency Response Vehicles
Sales of repair and replacement parts for vehicles are generally subject to the sales and use tax. There is an exemption from the sales or use tax for repair and replacement parts for ambulances purchased by a licensed ambulance service. The bill would extend the exemption to repair and replacement parts for other emergency response vehicles owned by a licensed ambulance service.

EXPLANATION OF THE BILL (Cont.)

Exemptions for Northstar Commuter Rail and Central Corridor Light Rail
Under current law, purchases by the Metropolitan Council of vehicles and repair parts to equip operations of a light rail transit system are exempt from the sales and use tax. This currently applies to the Hiawatha line and would apply to the proposed Central Corridor project.

The bill would expand the vehicle and repair parts exemption to include purchases of vehicles and parts by the Department of Transportation for commuter rail facilities. The bill also provides an exemption for materials and supplies used or consumed in and equipment incorporated into the construction or improvement of the Northstar Corridor rail project. For both exemptions, the tax is to be paid at the time of purchase and subsequently refunded. The amount refunded for these exemptions in fiscal year 2009 is limited to $3.1 million.

The bill exempts materials and supplies used or consumed in and equipment incorporated into the construction or improvement of the Central Corridor light rail transit line. The tax is to be paid at the time of purchase and subsequently refunded. No refunds can be issued until after July 1, 2009.

Exemption for Minnetonka Water Treatment Facility
Capital equipment qualifies for a sales tax exemption by refund. Equipment used to treat water for human consumption qualifies as capital equipment. Equipment purchased and installed by construction contractors normally does not qualify for the refund. The bill would provide a retroactive exemption for capital equipment incorporated into constructing a water treatment plant owned by the city of Minnetonka. The refund would be available regardless of whether the equipment was purchased by the owner, contractor, subcontractor, or builder.

Exempt Propane-Fueled School Buses
The purchase of a new or used school bus is subject to the 6.5% motor vehicle sales tax, and the lease of a school bus is subject to the 6.5% sales tax. The bill would exempt from the motor vehicle sales tax the purchase by school districts of school buses that are powered by propane fuel. Also, leases of propane-powered school buses would be exempted from the sales and use tax. The exempted buses are required to be used solely for the purpose of transporting students.

Increase June Accelerated Payments from 80% to 90%
Taxpayers liable for the general sales tax, the cigarette taxes and fees, the tobacco products tax and fee, and the taxes on alcoholic beverages, and who have a liability of $120,000 or more during a fiscal year ending June 30, must pay a portion of the estimated June liability two business days before June 30. Any additional amount of tax not remitted in June is due by the following August 20. The amount of the June liability required to be paid in June of 2007 was 78%. Current law (Chapter 154) raises the portion to be paid in June to 80%, beginning in June 2009.

The proposal increases from 80% to 90% the required portion of the June liability that must be paid in June, starting with payments due in June 2009.

EXPLANATION OF THE BILL (Cont.)

Mortgage Registry Tax Exemption for Designated Disaster Area, DR-1717
The proposal is to add an exemption to the mortgage registry tax. The exemption would apply to a mortgage on property located in the area covered by the Presidential Declaration of Major Disaster, DR-1717. The property had to have been damaged by the disaster. This exemption would apply to new or additional indebtedness to repair or replace property damaged by the disaster. For a mortgage that replaces or refinances an existing mortgage, this exemption applies to the debt replaced or refinanced. The exemption is effective for one year from the date of the disaster declaration. Refunds are authorized for tax that has already been paid.

Terminate Designation of JOBZ Businesses
Under current law, the duration of the Job Opportunity Building Zone (JOBZ) program is twelve years, from January 1, 2004, through December 31, 2015. Qualifying businesses are eligible for tax benefits for the duration of the zone. The proposal would terminate the designation of qualified businesses into the JOBZ program. Only qualified businesses that entered into business subsidy agreements before May 1, 2008, would be eligible for JOBZ tax benefits.

Renaissance Zone Historic Rehabilitation Credit
The bill would provide an individual income tax or corporate franchise tax credit for costs incurred in the rehabilitation of a certified historic structure in the Fergus Falls historical zone, which is the campus of the former state regional treatment center in the city of Fergus Falls.

The federal tax credit for rehabilitation of historic structures is equal to 20% of qualified rehabilitation expenditures to substantially rehabilitate a historic structure. Substantial rehabilitation can occur if the qualified rehabilitation expenditures (excluding costs of acquiring the building) exceed the adjusted basis in the building and structural components. The rehabilitation period can be a self-selected 60-month period with certain other requirements including a written architectural plan and specifications that are completed prior to the beginning of the rehabilitation. The historic rehabilitation work must receive prior approval. When a project is completed, a certification is issued.

The proposed state credit would be equal to 25% of the federal rehabilitation credit (20%) for the taxable year. If the credit amount exceeds tax liability, it may be carried back three years or forward ten years.

Seed Capital Investment Credit
A nonrefundable credit against the individual income tax would be allowed equal to 45% of investment in a qualified business. The business must have its principal office and a majority of its activity performed in a designated border city zone and must meet other requirements specified in the bill. The Commissioner of Employment and Economic Development would certify businesses as qualifying for the credit. If the credit exceeds the tax, the excess credit can be carried over four years. The credit would be funded by existing appropriations to border city zones.

EXPLANATION OF THE BILL (Cont.)

Exempt Emergency Response Vehicles from the Motor Vehicle Registration Tax
There is an exemption in current law from the motor vehicle registration tax for ambulances owned by a licensed ambulance service, the general appearance of which is unmistakable. The bill would exempt vehicles that are owned by licensed ambulance services that are equipped and specifically intended for emergency response or providing ambulance service from the motor vehicle registration tax, regardless of the general appearance of the vehicle.

Limit Gas Tax Exemption for Ambulance Services
Gasoline purchases by an ambulance service are exempt from the motor fuels excise tax. The bill would limit the exemption for gasoline purchases by an ambulance service to gasoline used in an ambulance or an emergency response vehicle.

REVENUE ANALYSIS DETAIL

Subtraction for AmeriCorps Education Awards
- According to the Corporation for National and Community Service, which runs the AmeriCorps program, there were 1,170 AmeriCorps participants in Minnesota for the 2007-2008 program year. These participants are eligible to receive a total of $4.1 million in education awards, for an average award of $3,500.
- According to the AmeriCorps State Commission Performance Report, an estimated 65% of these eligible participants elect to take the educational award as opposed to the end-of-service stipend.
- Of those who take the educational award, it is assumed that 75% would benefit from the proposed subtraction because they have taxable income to offset.
- A marginal tax rate of 5.35% is assumed.
- Growth of 3% per year is assumed.
- Tax year impacts were allocated to the following fiscal year.
- An estimated 587 taxpayers would be affected per year.

Changes to Foreign Operating Corporation and Foreign Royalty Provisions
- The revenue estimates are tied to the growth in corporate franchise tax collections. These estimates have been updated to reflect the corporate tax collections and projections contained in the February 2008 forecast.
- Because the changes for the FOC/ Foreign royalty provisions would be retroactive, a revenue gain of $26 million that would otherwise occur in FY 2008 with a prospective law change is moved to FY 2009.

REVENUE ANALYSIS DETAIL (Cont.)

Changes in Apportionment for Mutual Fund Service Providers

- An examination of corporate tax returns for the largest MFSPs (and the likelihood that those not now filing would have nexus in Minnesota) shows that the proposal would reduce Minnesota revenue. The reduction in taxes paid by MFSPs hired by Minnesota mutual fund companies would exceed the increase in tax paid by MFSPs hired by non-Minnesota mutual fund companies because in some cases the latter would have no nexus in Minnesota.
- Tax year impact was allocated 30/70 to fiscal years.
- Approximately 50 unitary groups would be affected.

Eliminate Adjustment for Certain Pollution Control Facilities

- Estimates are based on the amount of the subtraction claimed in recent years.
- The proposal has a slight impact on revenue based on the assumption that before 1987 some taxpayers added pollution control facilities with useful lives of more than twenty years.

Exempt Repair and Replacement Parts for Emergency Response Vehicles

- Information from the Emergency Medical Services Regulatory Board indicates that about 20 additional vehicles would qualify for exemption of their repair and replacement parts.
- Information on repair and replacement parts for ambulances was taken from the 2008 Minnesota Tax Expenditure Budget. It is estimated that an annual average of $1,500 per vehicle, or about $100 in sales tax, is spent on repair and replacement parts. For the 20 vehicles, the total sales tax impact would be about $2,000.

Exemptions for Northstar Commuter Rail and Central Corridor Light Rail
Northstar Commuter Rail

- It is assumed that the federal provisions relating to the taxation of railroad rolling stock (the Railroad Revitalization and Regulatory Reform Act of 1976) would not apply to these intrastate rail operations. Therefore, without a specific exemption, the property would be subject to sales and use tax.
- Information was provided by the Minnesota Department of Transportation (DOT) on estimated project costs and timelines. General information is available on the Northstar Commuter Rail website.
- For fiscal years 2008-2011, the exemption is expected to apply only to the first phase of the Northstar Corridor. The initial phase of the project is a 40-mile line from Big Lake to downtown Minneapolis. An extension of 42 miles (for an 82-mile line total reaching to St. Cloud) is expected as a later project. It is expected that the initial phase of the commuter rail will be operational prior to the end of calendar year 2009.
- DOT estimates the project cost for the first phase of the Northstar Corridor to be $312 million (including approximately $6 million of sales tax). The expected annual operating cost is $11 million. DOT estimates the cost of the commuter rail vehicles to be $53.6 million and the sales tax on vehicles to be $3.5 million.

REVENUE ANALYSIS DETAIL (Cont.)

- DOT estimated costs that would otherwise involve sales tax to be $82 million. They assume that 40% of these costs are taxable construction costs, excluding labor costs and other non-taxable items such as right of way costs and professional services. The sales tax on these other taxable items is then estimated to be $2.1 million.
- It was assumed that refunds of tax paid prior to enactment of the exemption would be made in fiscal year 2009. The distributions between fiscal years were provided by DOT.
- It is expected that the Northstar Corridor system will develop an ongoing capital budget for improvements. It is not expected that the capital improvements will be significant in the first years of operations.
- The construction exemption does not have a sunset date and would apply to station extensions and park and rides and other facilities improvements beyond the forecast period.
- There are likely to be additional commuter rail vehicles that would be impacted by this exemption in the future.
- The estimates reflect the limitation of $3.1 million for refunds paid in FY 2009.

Central Corridor Light Rail

- General information for the proposed project is available on the Central Corridor website (www.centralcorridor.org).
- The Central Corridor is an 11 mile line (compared to the 12 mile Hiawatha line) and the current cost estimate is $909 million. The portion of the $909 million spent on light rail vehicles and engines is exempt under current law.
- The remaining costs include professional services (including engineering), right-of-way, guideway, stations, maintenance facilities, site work, systems, easements, finance charges, and labor. Only a portion of this group of costs would normally be subject to sales and use tax.
- Updated information from the Central Corridor Project Office indicated that about $530 million was budgeted for systems, stations/terminals, guideways, and yards/shops. It is estimated that, about 40% of these project costs would normally be subject to sales tax. This is consistent with cost information for similar construction projects. The revenue impact of the sales tax exemption for the total project is estimated to be approximately $13.7 million.
- There are several processes occurring and/or anticipated. There is a deadline of September 2008 to complete preliminary engineering, with final design expected to occur in 2009. Preliminary engineering is expected to be completed, and construction to begin in 2010.
- Construction is expected to take place from fiscal year 2011 to 2014. It is expected that passenger service on University Avenue will begin during calendar year 2014.
- It is expected that the Central Corridor will also have an ongoing capital improvement budget for station improvements (e.g., transit station at the Metrodome or Union Depot).
- The construction exemption does not have a sunset date and would apply to station extensions and park and rides and other facilities improvements beyond the forecast period.
- The fiscal year estimates reflect that no refunds can be paid until after July 1, 2009.

REVENUE ANALYSIS DETAIL (Cont.)

Exemption for Minnetonka Water Treatment Facility
- Construction of this project began in May 2004 and was completed in January 2006.
- Information was obtained from the Minnetonka city finance office.
- They reported that a refund of $140,000 in sales and use tax would be claimed for capital equipment.
- It is assumed that the money would be refunded in fiscal year 2009.

Exempt Propane-Fueled School Buses
- It is assumed that the exemption would be used primarily for purchases of school buses and that there would be no leases of propane powered buses during the forecast period.
- Information on the Minnesota Department of Education website indicates that there are approximately 13,300 school buses in the statewide fleet. About 5,500 of these buses are district-owned and 7,700 contractor-owned. The remaining 100 buses are owned by private schools.
- Assuming an average life of 12-15 years, about 400 new buses per year are being purchased by school districts each year. Most of the school buses, and new bus purchases, have diesel-powered engines.
- A recent U.S. Department of Energy, Clean Cities publication reported no alternative fuel school buses in Minnesota. Of the approximately 4,000 alternative fuel buses nationwide about 70% were located in California and Texas.
- There are three primary manufacturers of school buses nationwide, and one of these manufacturers recently started to produce buses with propane dedicated fuel systems. The two Minnesota distributors for this manufacturer advise that, while they have had a few recent inquiries, they have not sold any propane-powered school buses in the last several years. The 2010 revised EPA criteria for emissions could have an impact on the utilization of the propane technology.
- With an average cost of approximately $85,000, the exemption is about $5,500 for each bus.
- It is expected that three to five propane-powered buses would be purchased by school districts in the first year and that nine or ten such buses would be purchased annually in the following years.

Increase June Accelerated Payments from 80% to 90%
- The estimates were based on accelerated payments received in June 2007.
- Annual growth was based on the February 2008 revenue forecast.
- The fiscal tails for the cigarette tax and fee are negative because sales of packs of cigarette are projected to continue declining.

Mortgage Registry Tax Exemption for Designated Disaster Area, DR-1717
- This provision applies to Wabasha, Steele, Dodge, Olmsted, Winona, Fillmore, and Houston counties. These counties were declared a disaster area on August 23, 2007, due to flooding.
- Based on property tax information, $75 million in property was damaged by the declared natural disaster.

REVENUE ANALYSIS DETAIL (Cont.)

- Based on available information, it is assumed that 68% of the property damaged would need mortgage financing or refinancing to repair or replace it.
- The mortgage registry tax rate is 0.23%. Of the total, 97% goes to the State General Fund; 3% is retained by the county.
- It was assumed that refunds would be paid in FY 2009. Depending upon the enactment date, some of the impact shown for FY 2009 could occur in FY 2008.

Terminate Designation of JOBZ Businesses

- According to the Department of Employment and Economic Development, there are 328 businesses in the JOBZ program as of April 4, 2008. JOBZ program business subsidy agreements signed by year are as follows: 119 in CY 2004, 91 in CY 2005, 69 in CY 2006, 47 in CY 2007, and 2 in CY 2008 to date.
- Under current law, the number of businesses entering the program would be expected to decline each year. It is assumed the number of business entering the program would be: 31 in 2008, 28 in 2009, and 24 in 2010.
- Under the proposal, it is assumed that 10 of the 31 businesses in 2008 would enter the program before May 1, 2008. The JOBZ program would not be available to the other 21 businesses in 2008 and all the businesses that would have signed agreements in subsequent years.
- It was assumed that the average annual state revenue savings per business would be similar to the tax benefits reported by JOBZ business submitting Form M500 for tax years 2004 to 2006, which was approximately $70,000.
- Calendar year impact was allocated to the following fiscal year.
- The total savings for FY 2009 to FY 2016 is estimated at $44.7 million.

Renaissance Zone Historic Rehabilitation Credit

Note: The estimates assume that this will be a qualifying project that receives certification for the federal credit.

- The facility is a certified historic structure listed in the National Register of Historic Places.
- According to the Fergus Falls Economic Improvement Commission, the current property redevelopment is related to the Minnesota Institute for Cross-Cultural Studies. It is expected that classes can begin in the current structure for the 2008-2009 school year.
- The total planned construction is $25 million over the next five fiscal years. It is assumed the rehabilitation would begin in fiscal year 2009 and the total project cost is equally divided over the five-year period.
- It is expected that the renovations/structures would be placed into service by the end of CY 2009 and eligible for a credit in tax year 2009.
- The federal historic credit is equal to 20% of qualified rehabilitation expenditures. The average annual qualified rehabilitation expenditure on which the credit would be based is assumed to be $5 million, and the average credit would be $250,000.
- It is expected that as the project develops, the amount of the credit may vary from year to year.
- Tax year impact is allocated to the following fiscal year.

REVENUE ANALYSIS DETAIL (Cont.)

Seed Capital Investment Credit
- Because the credit is funded with existing appropriations, there is no revenue impact.

Exempt Emergency Response Vehicles from the Motor Vehicle Registration Tax
- It is expected that referring to vehicles owned by ambulance services that are equipped and specifically intended for emergency response or providing ambulance service rather than the reference to ambulances (the general appearance of which is unmistakable) will have the effect of expanding the exemption to about 20 vehicles.
- The average annual price based registration tax for these vehicles is estimated to be $240.
- For the 20 vehicles, the total registration tax would be about $5,000.

Limit Gas Tax Exemption for Ambulance Services
- The change to the gasoline tax exemption for ambulance services would exclude some vehicles from the exemption.
- Information on gasoline consumption in ambulances was taken from the 2008 Minnesota Tax Expenditure Budget. It is estimated that less than 10% of ambulances use gasoline (most use diesel).
- The excise tax on gasoline used in the limited number of non-emergency response vehicles owned by ambulance services is estimated to be negligible.

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

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