

MINNESOTA • REVENUE

MOTOR VEHICLE SALES TAX Disposition Changes

February 12, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 175 (Gimse)

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
	(000's)			
Metropolitan Area Transit Fund	\$112,500	\$134,800	\$160,500	\$190,600
Greater Minnesota Transit Fund	\$16,400	\$19,600	\$23,300	\$27,600
Transit Assistance Fund	(\$128,900)	(\$154,400)	(\$183,800)	(\$218,200)

Effective July 1, 2007

EXPLANATION OF THE BILL

Current Law: An amendment to the Minnesota Constitution approved at the 2006 general election requires that starting July 1, 2007, 63.75% of motor vehicle sales tax revenue must be apportioned for transportation purposes, and the apportionment must increase by ten percentage points in each fiscal year through fiscal year 2011. Starting in fiscal year 2012, all revenue from this tax must be used for transportation purposes. Of the amount allocated for transportation purposes each year, not more than 60% of motor vehicle sales tax revenue must be deposited in the Highway User Tax Distribution Fund, and not less than 40% must be allocated solely for public transit assistance.

Proposed Law: The bill would allocate the transit portion of the tax to the two funds shown above instead of one transit assistance fund, as was assumed for the November 2006 forecast. The overall fund allocations in the bill are as follows:

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
General Fund	36.25%	26.25%	16.25%	6.25%	0.0%
Highway User Tax Distribution Fund	38.25%	44.25%	50.25%	56.25%	60.0%
Metropolitan Area Transit Fund	22.25%	25.75%	29.25%	32.75%	35.0%
Greater Minnesota Transit Fund	3.25%	3.75%	4.25%	4.75%	5.0%

REVENUE ANALYSIS DETAIL

- The estimates were based on the allocation by fund for projected revenue from the motor vehicle sales tax in fiscal years 2008 through 2011 according to the November 2006 state revenue forecast.
- The impacts by fund were calculated as the difference between the November forecast assumption and the bill's specific provisions.
- No impact on the General Fund or the Highway User Tax Distribution Fund is shown because it is already accounted for in the state revenue forecast.

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