

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Idling Reduction Technology Credit

March 9, 2007

Department of Revenue
Analysis of S. F. 878 (Dibble) / H. F. 1447 (Hortman)

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	(Unknown)	(Unknown)	(Unknown)	(Unknown)

Effective for tax years 2007 through 2011.

EXPLANATION OF THE BILL

The bill would allow an individual or corporate income tax credit equal to 50% of the expenses incurred for the purchase and installation of idling reduction devices. Idling reduction devices are defined as any equipment that is installed on a heavy-duty, diesel-powered, on-highway vehicle to reduce long-duration idling by providing services such as heat, air conditioning, or electricity that would otherwise require the operation of the main engine. The credit would be limited to \$3,000 per idling reduction unit in any taxable year. Credit in excess of the taxpayer's tax liability could be carried forward up to five years. The expenses use to claim the credit would be added back to taxable income to the extent they had been deducted.

REVENUE ANALYSIS DETAIL

- It is not known how many total truck owners would take advantage of the credit.
- According to the Minnesota Trucking Association, there are 211,000 heavy trucks registered in Minnesota. Of these trucks, 34,000 are interstate haulers and are the most likely to purchase idling reduction equipment.
- The average price of the most popular idling reduction technology, auxiliary power units, is \$7,500.
- For each 1% of all heavy trucks that purchase these devices and take the credit, the cost would be about \$6.3 million (211,000 x 1% = 2,110 x \$3,000).

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

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