

MINNESOTA • REVENUE

TRANSPORTATION

Various Taxes

April 14, 2008

Preliminary Analysis

	Yes	No
DOR Administrative Costs/Savings		

Department of Revenue

Analysis of S.F. 3223 (Murphy), 2nd Engrossment, Specified Tax Provisions

Article 1, Sections 8 & 11; Article 2, Sections 5, 7, & 8

(Note: There may be other sections that have state tax impacts.)

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
Motor Vehicle Registration Tax				
Disaster Response Vehicles	\$0	(Negligible)	(Negl.)	(Negl.)
Motor Fuels Excise Tax				
Service Station Credit	<u>\$0</u>	<u>(\$80)</u>	<u>(\$420)</u>	<u>(\$520)</u>
Highway User Tax Distribution Fund	\$0	(\$80)	(\$420)	(\$520)
Dedication of Sales Tax on Leases	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,070</u>
Metropolitan Routes of Regional Significance	\$0	\$0	\$0	\$4,070
Dedication of Sales Tax on Leases	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,070)</u>
County State Aid Highway Fund	\$0	\$0	\$0	(\$4,070)
Total - All State Funds	\$0	(\$80)	(\$420)	(\$520)

EXPLANATION OF THE BILL

County Wheelage Tax

The application of the county wheelage tax on motorcycles is specified. This proposal does not have direct impact on any state fund.

Motor Vehicle Registration Tax – Disaster Response Vehicles

The proposal is to exempt vehicles owned by nonprofit charities and used exclusively for disaster response and related activities.

Transit Taxing Districts

The cities of Farmington and Lakeville are added to the Dakota County metropolitan transit taxing district.

EXPLANATION OF THE BILL (Continued)

Debt Service Surcharge - Qualifying Service Station Credit

Current law provides for a credit to a qualifying service station so that the gasoline excise tax rate is not more than three cents per gallon above the state rate imposed on such products in the contiguous state. This provision applies to service stations located within 7.5 road miles of a service station in a contiguous state. The qualifying service station credit has been inactive for many years, since the motor fuels excise tax rate in Minnesota has been lower than the rate in the adjacent states. The proposal would exclude the gas tax surcharge for purposes of calculating the qualifying service station credit which would now apply to service stations on the borders of North Dakota, South Dakota, and Iowa.

Motor Vehicle Registration Tax – Effective Date Change

The proposal clarifies the registration tax effective date.

Motor Vehicle Leasing Sales Tax Revenue Allocation

The proposal changes the disposition of 50% of the revenue from the sales tax on motor vehicle leases from the County State Aid Highway Fund to the Metropolitan Routes of Regional Significance Account.

REVENUE ANALYSIS DETAIL

Motor Vehicle Registration Tax

- It is expected that there are about 20 Red Cross vehicles that could qualify for the exemption. The current registration tax is estimated to be \$99 per vehicle. As these vehicles transition to the new registration tax, the average registration tax per vehicle will increase.

Debt Service Surcharge – Qualifying Service Station Credit

- It is estimated that 20 stations on the Minnesota borders with Iowa, North Dakota, and South Dakota will qualify for the credit. The average credit is expected to be approximately \$20,000 annually for fiscal year 2010.
- It is assumed that the gas tax rates in the contiguous states will remain the same for the forecast period.
- The tax differential was calculated for North Dakota, South Dakota, and Iowa separately.
- Under current law, the credit would apply to service stations near the Minnesota borders with the three states. Under the proposal, a smaller credit would still apply to stations near the Iowa border.
- For the purposes of this analysis the entire credit is shown as impacting the Highway User Distribution Tax Distribution Fund. It is not clear how the credit would be apportioned between the HUTDF and the Debt Service Account in the absence of this proposal.

REVENUE ANALYSIS DETAIL (continued)

Motor Vehicle Registration Tax – Effective Date Change

- The change of the effective date corrects the wording and makes it consistent with the estimates previously developed.

Motor Vehicle Leasing Sales Tax Revenue Allocation

- The proposal would direct 50% of the motor vehicle lease sales tax revenue to the Metropolitan Routes of Regional Significance rather than to the County State Aid Highway Fund.

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