

MINNESOTA • REVENUE

TRANSPORTATION

Various Taxes

April 25, 2008

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 3223 (Murphy), 3rd Engrossment, Tax Provisions Only

	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				
Commercial Pickup Trucks & Vans (3/1/11)	\$0	\$0	\$0	\$375
Medium-Speed Electric Vehicles (3/1/11)	\$0	\$0	\$0	Negligible
Disaster Response Vehicles	\$0	(Negligible)	(Negl)	(Negl.)
Spotter Trucks (Upon enactment – 6/30/13)	\$0	(\$75)	(\$75)	(\$75)
Concrete Pumps (3/1/09)	\$0	\$5	\$20	\$20
Street Sweepers (3/1/09)	\$0	\$10	\$30	\$30
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	\$20	\$395	\$870
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	\$20	\$395	\$870

EXPLANATION OF THE BILL

County Wheelage Tax

The exemption from the county wheelage tax for motorcycles is extended to other two-wheel vehicles, including motorized bicycles, electric-assisted bicycles, and motorized foot scooters. This provision would have no impact on any state fund.

Motor Vehicle Registration Tax – Commercial Pickup Trucks and Vans

The bill amends the definition of “passenger vehicle” for registration purposes. A pickup truck or van with a gross vehicle weight rating of 9,000 to 13,000 pounds is to be taxed as a passenger automobile unless it is used in a commercial enterprise and is regulated by the state or federal government as a commercial vehicle.

EXPLANATION OF THE BILL (continued)

Motor Vehicle Registration Tax – Medium-Speed Electric Vehicles

The bill includes medium-speed electric vehicles in the definition of “passenger automobile”.

Motor Vehicle Registration Tax – Disaster Response Vehicles

The proposal is to exempt vehicles owned by nonprofit charities from payment of the registration tax and fees if the vehicles are used exclusively for disaster response and related activities.

Motor Vehicle Registration Tax – Spotter Trucks

Under current law, there is no separate classification for spotter trucks. Trucks used in freight operations should be titled and registered under the general truck classification if they meet on-road use requirements and are used on public streets and highways. Otherwise, they should not be titled and licensed.

The bill defines spotter trucks and exempts these trucks from the motor vehicle registration tax and titling requirements. Spotter trucks are defined as trucks that do not meet requirements for on-road use and are used exclusively for staging or shuttling semi-trailers for freight operations. The bill provides for limited use of spotter trucks on the public streets and highways and, also, defines them as commercial motor vehicles.

Motor Vehicle Registration Tax – Concrete Pumps and Street Sweepers

The bill makes changes to the “special mobile equipment” provisions. Concrete pumps and street sweepers are not currently subject to the motor vehicle registration tax. The changes provide for concrete pumps and street-sweeping vehicles to be taxed at 15% of the Minnesota base rate schedule. Additionally, these vehicles are required to display distinctive license plates.

Transit Taxing Districts

The metropolitan transit taxing district is expanded to include all of the seven-county metropolitan area.

Debt Service Surcharge - Qualifying Service Station Credit

Current law provides for a credit to a qualifying service station so that the motor fuels 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 otherwise 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 effective date for registration tax changes in Laws 2008, Chapter 152.

EXPLANATION OF THE BILL (continued)

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, as specified in Laws 2008, Chapter 152, from the County State Aid Highway Fund to the Metropolitan Routes of Regional Significance Account.

REVENUE ANALYSIS DETAIL

Motor Vehicle Registration Tax

- *Commercial Pickup Trucks and Vans.* The Department of Public Safety – Driver and Vehicle Services Division estimates that there are approximately 9,000 pickups and 3,000 vans that could be currently titled as commercial vehicles that will no longer qualify for the commercial designation. The estimate is that this will cause an increase of approximately \$1.1 million in fiscal year 2011. The effective date of March 1, 2011, decreases the impact for fiscal year 2011.
- *Medium-Speed Electric Vehicles.* The Department of Public Safety – Driver and Vehicle Services Division estimates that there will be approximately 50 medium-speed vehicles that will now be subject to a motor vehicle registration tax of approximately \$140 each. The effective date of March 1, 2011, decreases the impact for fiscal year 2011.
- *Disaster Response Vehicles.* 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.
- *Spotter Trucks.* The Department of Public Safety – Driver and Vehicle Services Division estimates that there are approximately 1,000 spotter trucks in Minnesota. They advise that there are three categories of use. First, it is estimated that 500 of the 1,000 trucks meet the requirements for on-road use, are being titled and licensed, and will continue to be titled and licensed. Second, it is estimated that 250 of the 1,000 trucks do not meet the requirements for on-road use, are not being used on public streets, and do not need to be titled and licensed. Third, the remaining 250 of the 1,000 of these trucks may not meet the requirements for on-road use, may have been titled and licensed, and may be using public streets. The exemption would apply to the latter category of 250 trucks. The registration tax is estimated to be approximately \$300 per truck annually. The bill would define these trucks as spotter trucks, allow them limited use of public roads, and allow them an exemption from the registration tax through the end of fiscal year 2013. At the expiration of the exemption, current law would be re-implemented and there would be no separate classification for spotter trucks. These vehicles would fall under the general classification of trucks. They would be titled and licensed if they meet requirements for on-road use and are used on public streets. Otherwise, they would not be titled and licensed for road use.

REVENUE ANALYSIS DETAIL (continued)

Motor Vehicle Registration Tax (continued)

- *Concrete Pumps.* The Department of Public Safety – Driver and Vehicle Services Division estimates that there are approximately 105 concrete pumps that would be taxed at \$1,015 under the current base rate schedule and 45 that would be taxed at \$762. The proposal sets the registration tax on concrete pumps at 15% of the base rate schedule and it is assumed that the base rate schedule remains the same during the forecast period.
- *Street Sweepers.* For street sweepers there are an estimated 540 that would currently be taxed at \$270 and another 360 that would be taxed at \$203. The proposal sets the registration tax on street sweepers at 15% of the base rate schedule and it is assumed that the base rate schedule remains the same during the forecast period.

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 per station is expected to be approximately \$20,000 annually for fiscal year 2010. 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.
- 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.
- 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.

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 for Laws 2008, Chapter 152.

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. The estimate is consistent with that developed for Laws 2008, Chapter 152.

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