

MINNESOTA • REVENUE

MOTOR VEHICLE SALES TAX Road Maintenance Vehicle Exemption for Local Governments

March 10, 2014

Department of Revenue
Analysis of H.F. 1892 (McNamar) / S.F. 1789 (Westrom)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
	(000's)			
Highway Users Tax Distribution Fund	(\$600)	(\$1,200)	(\$1,200)	(\$1,300)
Transit Assistance Fund	<u>(\$400)</u>	<u>(\$800)</u>	<u>(\$800)</u>	<u>(\$800)</u>
Total – All Funds	(\$1,000)	(\$2,000)	(\$2,000)	(\$2,100)

Effective for sales and purchases made after December 31, 2013.

EXPLANATION OF THE BILL

Current Law: The motor vehicle sales tax is imposed at a rate of 6.5% on the purchase price of any motor vehicle required to be registered in Minnesota. Purchase or use of a motor vehicle by a town used exclusively for road maintenance, including snowplows and dump trucks but not including automobiles, vans, or pickup trucks, is exempt.

Proposed Law: The proposal would expand the motor vehicle sales tax exemption for road maintenance vehicles to include purchases made by a county, a statutory or home rule charter city, or an instrumentality of a county, city, or town.

REVENUE ANALYSIS DETAIL

- Vehicle fleet information and road maintenance vehicle purchases came from the League of Minnesota Cities, the Minnesota Counties Intergovernmental Trust, and city and county public works departments.
- It is estimated there are approximately 3,460 vehicles used exclusively for road maintenance by cities and counties that are replaced every 12 years.
- It is assumed that cities, counties, and their instrumentalities will purchase 288 road maintenance vehicles in fiscal year 2014, at an average price of \$105,000 per vehicle.
- Total purchases are assumed to increase by 2% a year.
- Fiscal year 2014 is adjusted for six months of purchases. The estimate assumes that any tax paid after December 31, 2013, but before July 1, 2014 will be refunded in fiscal year 2014.

Number of Taxpayers: There are 87 counties and 853 cities in Minnesota.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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