

MINNESOTA • REVENUE

MOTOR VEHICLE SALES TAX Road Maintenance Vehicle Exemption for Local Governments

March 10, 2014

Department of Revenue
Analysis of H.F. 2607 (Swedzinski) / S.F. 2246 (Koenen)

	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	\$0	(\$1,200)	(\$1,300)	(\$1,300)
Transit Assistance Fund	<u>\$0</u>	<u>(\$800)</u>	<u>(\$800)</u>	<u>(\$900)</u>
Total – All Funds	\$0	(\$2,000)	(\$2,100)	(\$2,200)

Effective for sales and purchases made after June 30, 2014.

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 city, an instrumentality of a city, county, or township, or a special district including special taxing districts and districts organized by a joint powers agreement.

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 3,590 vehicles used exclusively for road maintenance by cities, counties, and special districts that are replaced every 12 years.
- It is assumed that cities, counties, their instrumentalities and special districts will purchase 298 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.

Number of Taxpayers: There are 87 counties and 853 cities in Minnesota, plus a limited number of special districts that would make purchases that would qualify for the exemption.

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