TRANSPORTATION
Various Taxes

March 21, 2014

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2107 (Dibble) / H.F. 2395 (Hornstein) – Tax Provisions Only

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
Sales Tax on Motor Vehicle Leases	$0	$0	($32,000)	($32,000)
General Fund Total	$0	$0	($32,000)	($32,000)
Motor Fuels Gross Receipts Tax	$0	$270,200	$401,800	$378,200
Qualifying Service Station Credit	$0	($4,600)	($6,700)	($6,300)
Highway User Tax Distribution Fund Total	$0	$265,600	$395,100	$371,900
Sales Tax on Motor Vehicle Leases	$0	$0	$32,400	$33,400
Greater Minnesota Transit Account Total	$0	$0	$32,400	$33,400
Sales Tax on Motor Vehicle Leases	$0	$0	($400)	($1,400)
County State-Aid Highway Fund Total	$0	$0	($400)	($1,400)
Total - All Funds	$0	$265,600	$395,100	$371,900

The gross receipts tax is effective and applies to gross receipts on and after October 1, 2014.
The sales tax on motor vehicle lease change is effective January 1, 2016.
Metropolitan area transit tax effective July 1, 2014, with the imposition to be on the first day of the calendar quarter beginning at least sixty days after the date of final enactment.

EXPLANATION OF THE BILL

Motor Fuels Gross Receipts Tax
The bill imposes a 5% gross receipts tax on the wholesale business of selling fuel used for vehicles on the highways of the state. The gross receipts tax would be in addition to the excise tax of 28.5¢ per gallon.

The gross receipts tax would be the greater of 10¢ per gallon or 5% of the distributor's gross receipts from the first sale at wholesale of gasoline, gasoline blended with ethanol, agricultural alcohol gasoline, and special fuels within this state for use in motor vehicles. The gross receipts tax rate would be determined annually based on the Minnesota total wholesale gasoline price by refiners for the previous year rounded to the nearest tenth of a cent per gallon and applied in the subsequent year as a 'per gallon equivalent'. The same exemptions from the excise tax would apply to the gross receipts tax. The revenues would be deposited in the Highway User Tax Distribution Fund.

EXPLANATION OF THE BILL (Cont.)

Qualifying Service Station Credit
Current law provides a credit for gasoline, undyed diesel fuel, and undyed kerosene delivered to service stations within 7.5 miles, by public road, of a station in a contiguous state. The credit is the difference between the 28.5¢ Minnesota excise tax rate and an amount 3¢ per gallon more than the tax rate for the same fuel product in the contiguous state. The bill provides that the motor fuels gross receipts tax is added to the Minnesota excise tax for calculating the credit for border area service stations.

Metropolitan Area Transit Tax
Current law authorizes the seven metropolitan counties to impose a 0.25% local sales tax for transit purposes, and the tax is currently imposed in five of counties. The bill imposes a 1.0% tax rate minus the currently imposed tax rate. This creates a 1.0% tax rate in the seven county metropolitan area. Also, an excise tax of $20 per motor vehicle purchased or acquired from any person engaged in the business of selling motor vehicles at retail is in effect for the five county metropolitan area and would be expanded to Carver and Scott counties. The proceeds of the local sales tax are distributed variously including current bond obligations, existing transit lines, and Metropolitan Council Transit Operations. This change does not impact any state fund.

Sales Tax on Motor Vehicle Leases
Revenues from the sales tax on motor vehicle leases are deposited into the General Fund. An estimate of the revenues from the sales tax on motor vehicle leases is made annually. Currently amounts over $32 million are transferred from the General Fund – 50% to the County State Aid Highway Fund (CSAH) and the balance to the Greater Minnesota Transit Account. The bill would transfer all of the estimated revenues from the sales tax motor vehicle leases from the General Fund to transportation uses – 30% to the CSAH and 70% to the Greater Minnesota Transit Account.

REVENUE ANALYSIS DETAIL

Motor Fuels Gross Receipts Tax
- The Department of Transportation provided estimates for the motor fuels gross receipts tax based on information from U.S. Energy Information Administration and the February 2014 state motor fuels tax forecast. The gross receipts tax per gallon equivalent is estimated to be 13.9¢ for fiscal year 2015, 13.3¢ for fiscal year 2016, and 12.6¢ for fiscal year 2017.
- Fiscal year 2015 is adjusted for eight months of fiscal impact.

Qualifying Service Station Credit
- Currently there are 10 wholesalers providing fuels to an estimated 50 service stations within 7.5 miles of stations in North Dakota, South Dakota, and Iowa that are claiming the credit. The total claimed refunds were $512,000 in fiscal year 2013.

REVENUE ANALYSIS DETAIL (Cont.)

- It is estimated that there will be 16.9 million gallons of fuel sold at reduced rates on the borders of North Dakota, South Dakota, and Iowa for fiscal year 2014. It is expected that the number of gallons sold will increase to 20.2 million for fiscal year 2015.
- It is expected that an additional 60 stations on the Minnesota / Wisconsin border will qualify for the credit. It is estimated, for fiscal year 2015, there will be 43.4 million gallons sold by the 60 stations at a difference between the Minnesota gas tax rate and the gas tax rate charged at service stations within 7.5 miles of a service station of 8¢ per gallon.
- Fiscal year 2015 is adjusted for eight months of fiscal impact.

Seven County Transit Tax

- It is estimated that the additional tax local sales tax for seven metropolitan counties would generate about $380 million in fiscal year 2016 (the first full year of collections).
- This change does not impact any state funds.

Sales Tax on Motor Vehicle Leases

- The February 2014 forecast for the motor vehicle lease sales tax is the base for the estimates.
- For fiscal year 2014 and fiscal year 2015, there is no change.
- The effective date of January 1, 2016, affects the transfer of fiscal year collections, beginning with fiscal year 2016.
- The estimates reflect the increase of $32 million in the amount transferred each year and the change in the distribution from the current 50/50 allocation to the proposed 70/30 allocation.

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

sf2107(hf2395)_1 / rrs