MOTOR VEHICLE SALES TAX
Local Government Vehicles

February 11, 2019

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 702 (Swedzinski) / S.F. 877 (Dahms)

	Fund Impact			
	F.Y. 2020	**F.Y. 2021**	**F.Y. 2022**	**F.Y. 2023**
	(000's)			
Highway User Tax Distribution Fund	($1,400)	($1,400)	($1,400)	($1,500)
Transit Assistance Fund	($900)	($900)	($1,000)	($1,000)
Total – All Funds	($2,300)	($2,300)	($2,400)	($2,500)

Effective for sales and purchases made after June 30, 2019.

EXPLANATION OF THE BILL

Current Law: Motor vehicle sales tax is imposed at a rate of 6.5% on the purchase price of a 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 bill would expand the road maintenance vehicle tax exemption for towns to road maintenance vehicle purchases made by a statutory or home rule charter city, a county, a town, or an instrumentality of any political subdivision, including special districts.

REVENUE ANALYSIS DETAIL

- The League of Minnesota Cities, the Minnesota Counties Intergovernmental Trust, and city and county public works departments provided information on vehicle fleets and road maintenance vehicle purchases.
- It is estimated there are approximately 3,600 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 approximately 300 road maintenance vehicles in fiscal year 2019, at an average price of $110,000 per vehicle.
- Total purchases are assumed to increase 2% per year.
- The purchase price of road maintenance vehicles is assumed to increase 0.3% per year.

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

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