DEPARTMENT OF REVENUE

MOTOR VEHICLE RENTAL TAX
MOTOR VEHICLE RENTAL FEE
Car Sharing Services

February 25, 2019

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1357 (Schultz) As Proposed to be Amended (H1357A2)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
	(000's)			
Highway User Tax Distribution Fund	($80)	($90)	($90)	($90)

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

EXPLANATION OF THE BILL

Current Law: In addition to the 6.875% sales tax, a tax of 9.2% is imposed on the rental of a car, van, or pick-up truck for less than 29 days. Revenues are transferred to the Highway User Tax Distribution (HUTD) fund. All car sharing services are subject to the 9.2% rental tax.

Also, there is a 5% motor vehicle rental car fee that is retained by the dealer. At the end of the calendar year, the total collections from the 5% fee are compared with the total motor vehicle registration tax paid by the dealer on the same vehicles. If the 5% fee collections exceed the motor vehicle registration tax paid, the overage is remitted to the Department of Revenue and transferred to the HUTD fund. For-profit car sharing services are subject to the 5% rental car fee.

The 5% motor vehicle rental car fee does not apply to a nonprofit car sharing service, consisting of individual or group members who pay for the use of a motor vehicle, if the nonprofit: 1) owns or leases a fleet of vehicles that are available to members for use and priced on the basis of one hour intervals or less, 2) parks their vehicles at unstaffed, self-service locations that are accessible to their members at any time, 3) maintains, insures, and purchases fuel for the vehicles, and 4) does not charge usage rates that decline on a per unit basis, whether specified based on distance or time.

Any car sharing service or rental vehicle company with less than 20 vehicles or less than $50,000 in taxable gross receipts may elect to not charge the fee.

Proposed Law: The bill would exempt all car sharing services from the 9.2% motor vehicle rental tax and the 5% motor vehicle rental fee. Car sharing service requirements are modified as followed: 1) requires individuals or groups to register for a membership in order to lease vehicles, 2) owns or leases a fleet of vehicles that are available to members for use, 3) charges members for leasing vehicles on the basis of one hour intervals or less, and may include or exclude a mileage component, 4) parks vehicles on-street, or other unstaffed, self-service locations where the vehicles are accessible at any time, 5) uses in-vehicle technology to unlock and enable member to use the vehicle, and 6) maintain, insure, and purchase fuel for the fleet on behalf of members. Qualifying businesses may also impose maximum daily rates for trips of 24 hours or less.

REVENUE ANALYSIS DETAIL

- At the beginning of 2017, there were three car sharing services with about 140 vehicles.
- The estimates assume no growth in the number of vehicles owned by car sharing services for the forecast period.
- There is one nonprofit car sharing service that is exempt the 5% motor vehicle rental fee.
- The modification of the car sharing service definitions is assumed to not impact the estimate.
- The fiscal year 2020 estimate is adjusted for eleven months of collections.

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

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