

April 10, 2019

State Taxes Only

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1093 (Newman) As Proposed to be Amended SCS1093A-7
Article 1, Sections 26, 28-29, and 43

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
Farm Truck Definition – Pickup Trucks	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
All-Electric Vehicle Surcharge	\$400	\$800	\$1,200	\$1,700
Hybrid Vehicle Surcharge	<u>\$1,100</u>	<u>\$2,300</u>	<u>\$3,500</u>	<u>\$4,800</u>
Highway User Tax Distribution Fund – Total	(\$500)	\$1,100	\$2,700	\$4,500

All changes are effective July 1, 2019.

EXPLANATION OF THE BILL

Current Law: The motor vehicle registration tax rate for passenger vehicles is \$10 plus a tax equal to 1.25% of the base value of a passenger vehicle. The additional tax can be no less than \$25. The registration tax for farm trucks is based on total gross weight and is 45% of the Minnesota base rate for the first eight years of vehicle life, with a minimum of \$35. Farm trucks with greater than eight years of vehicle life are taxed at 27% of the Minnesota base rate, with a minimum of \$21.

In addition to the motor vehicle registration tax, there is a \$75 surcharge on all-electric vehicles. The \$75 surcharge does not apply to all-electric vehicles previously registered in Minnesota.

Proposed Law: The bill would include pickup trucks in the definition of a farm truck.

The bill increases the all-electric vehicle surcharge to \$250. A hybrid vehicle is defined as any vehicle that is propelled by a combination of an internal combustion engine and an electric motor, a battery, or other power source and a surcharge of \$125 is added to the motor vehicle registration tax for hybrid vehicles.

The increase in the surcharge on all-electric vehicles from \$75 to \$250 would not apply to all-electric vehicles previously registered in Minnesota. As proposed to be amended, the \$125 surcharge on hybrid vehicles would not apply to hybrid vehicles previously registered in Minnesota.

REVENUE ANALYSIS DETAIL

Farm Trucks

- The Department of Public Safety – Driver and Vehicle Services Division estimates that there are 8,800 pickups that would be taxed differently and assumes the impacted pickups currently pay \$260 annually in motor vehicle registration tax.
- It is assumed that the pickups would pay \$35 in motor vehicle registration tax when classified as farm trucks.

Electric and Hybrid Vehicles

- Information on motor vehicle registrations from the Department of Public Safety – Driver and Vehicles Services was used to determine the number of all-electric and hybrid vehicles.
- It is estimated that about 1,500 all-electric vehicles will be purchased in Minnesota in fiscal year 2020. It is assumed that sales of all-electric vehicles will increase by 10% per year.
- It is estimated that 9,000 hybrids vehicles will purchased in Minnesota in fiscal year 2020. It is assumed that sales of hybrid vehicles will increase by 5% per year.

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