

April 11, 2019

*Preliminary Estimates
State Taxes Only*

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1093 (Newman) 2nd Engrossment – Article 1, Sections 26, 28 and 29

	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	\$200	\$400	\$600	\$900
Plug-in Hybrid Electric Vehicle Surcharge	\$100	\$300	\$500	\$700
Electric Vehicle Charging Station Tax	<u>\$100</u>	<u>\$200</u>	<u>\$200</u>	<u>\$300</u>
Highway User Tax Distribution Fund – Total	(\$1,600)	(\$1,100)	(\$700)	(\$100)

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 \$200 and adds a surcharge of \$100 to the motor vehicle registration tax for plug-in electric hybrid vehicles. The increase in the surcharge on all-electric vehicles from \$75 to \$200 and the addition of the \$100 surcharge on plug-in hybrid electric vehicles would not apply to vehicles previously registered in Minnesota.

The bill imposes a tax of 5¢ per kilowatt hour on electricity from an electric vehicle charging station for use in an electric vehicle, excluding charging stations at single family or multi-family dwellings.

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 Plug-in Hybrid Electric 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 1,500 plug-in electric hybrids vehicles will purchased in Minnesota in fiscal year 2020. It is assumed that sales of plug-in electric hybrid vehicles will increase by 5% per year.

Electric Vehicle Charging Stations Tax

- The Minnesota Pollution Control Agency reports 630 charging spaces in Minnesota in calendar year 2018.
- It is assumed that the stations will initially pay the annual fee of \$200 and the revenue from the 5¢ per kilowatt hour will increase during the forecast period.

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