

March 11, 2020

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3113 (Torkelson) / S.F. 3232 (Jasinski)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
			(000's)	
Individual Income Tax	\$0	(\$20)	\$0	\$0
Corporate Franchise Tax	\$0	(\$530)	\$0	\$0
General Fund Total	\$0	(\$550)	\$0	\$0

Effective for tax year 2019 only.

EXPLANATION OF THE BILL

Current Law: The 2019 Transportation Finance Bill appropriated up to \$13 million in reimbursement grants to deputy registrars not employed by the state. The grants were allocated based on each deputy registrar’s share of transactions processed over specified date ranges beginning on July 1, 2014. For offices operated by corporations or flow-through businesses, the grants are required to be included in taxable income.

Proposed Law: Deputy registrars may subtract the reimbursement grants from taxable income for individual income tax or corporate franchise tax purposes. This is a one-time provision applicable to tax year 2019 only.

REVENUE ANALYSIS DETAIL

- The estimate is based on grant totals provided by the Driver and Vehicle Services Division of the Department of Public Safety.
- A total of \$12,999,999 in reimbursement grants was distributed among 174 business, county, and city offices.
- Of those, 73 offices operated by corporations or flow-through businesses received about \$5.6 million in grants. That amount would be eligible for the proposed subtraction.
- For individual income taxpayers, a marginal rate of 8.5% is assumed. For corporate franchise taxpayers, a marginal rate of 9.8% is assumed.
- The retroactive impact is allocated to fiscal year 2021.

Number of Taxpayers: About 73 individual income and corporate franchise tax returns would be affected.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>