

March 9, 2020

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

 Analysis of H.F. 3547 (Tabke) 1st Engrossment as Proposed to be Amended (HF3547DE4)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
Income Tax Offset for Registration Tax	\$0	\$0	negl.	negl.
General Fund	\$0	\$0	negl.	negl.
Motor Vehicle Registration Tax	\$0	(\$460)	(\$610)	(\$500)
Highway User Tax Distribution Fund	\$0	(\$460)	(\$610)	(\$500)
Total – All Funds	\$0	(\$460)	(\$610)	(\$500)

Effective January 1, 2021.

EXPLANATION OF THE BILL

Current Law: The motor vehicle registration tax is \$10 plus 1.25% of the base value for a passenger vehicle, adjusted for depreciation. Vehicles over 10 years old pay a flat tax of \$35, which is the minimum tax for all vehicles. The base value is defined as the manufacturer's suggested retail price including the destination charge. The motor vehicle registration tax excluding the \$35 minimum tax can be claimed as an itemized deduction on income tax returns.

Proposed Law: The bill modifies the calculation of the motor vehicle registration tax. The base value of a passenger vehicle registered in Minnesota prior to the date of enactment would not change. The base value of passenger vehicle registered in Minnesota after the date of enactment would be based on the manufacturer's suggested retail price excluding destination charges and the tax rate would increase from 1.25% to 1.28% of base value.

REVENUE ANALYSIS DETAIL

- The Department of Transportation provided information for the registration tax changes. The fiscal year 2021 registration tax estimate is adjusted for six months of impact.
- The House Income Tax Simulation Model (HITS 6.9) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2020. The model uses a stratified random sample of tax year 2017 individual income tax returns compiled by the Minnesota Department of Revenue. Tax year impacts were allocated to the following fiscal year.

Minnesota Department of Revenue
 Tax Research Division
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