

February 9, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 625 (Howe) / H.F. 758 (Petersburg)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
			(000's)	
General Fund	(\$28,700)	(\$36,100)	(\$42,700)	(\$49,900)
Highway User Tax Distribution Fund	\$28,700	\$36,100	\$42,700	\$49,900

Effective for sales and purchases made after June 30, 2021.

EXPLANATION OF THE BILL

Current Law: A portion of the 6.5% sales tax, attributed to the sale and purchase of motor vehicle repair parts, is deposited in the state treasury and credited to the Highway User Tax Distribution (HUTDF). The transfer amount is \$12,137,000 per month.

Proposed Law: The bill would require the commissioner of revenue to allocate the revenues derived from the taxes imposed on the sale and purchase of motor vehicle repair and replacement parts as follows: 60% of the revenue to the HUTDF and the remainder to the general fund.

REVENUE ANALYSIS DETAIL

- The Department of Revenue Consumption Tax Model was used to estimate expenditures on motor vehicle repair and replacement parts. It is estimated that approximately 4.87% of the General Fund sales tax revenue is attributable to motor vehicle repair and replacement parts.
- Sales tax collections at the 6.5% rate from the November 2020 forecast are used to estimate the transfers.
- The estimates reflect the difference between the current law transfer amount and the proposed transfer.

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