

April 8, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1713 (West) / S.F. 1741 (Tomassoni)

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Highway User Tax Distribution Fund	(\$300)	(\$300)	(\$300)	(\$300)

Effective for fee collections beginning in calendar year 2021.

EXPLANATION OF THE BILL

Current Law: A tax of 9.2% is imposed on the rental of a car, van, or pickup truck for not more than 28 days, in addition to the 6.875% state sales tax. The proceeds of the sales tax (6.5% of the 6.875%) and the motor vehicle rental tax (9.2%) are transferred to the Highway User Tax Distribution (HUTD) fund. The 0.375% portion of the 6.875% sales tax is constitutionally dedicated to the Natural Resources and Arts Funds.

Additionally, there is a 5% motor vehicle rental car fee that is retained by the dealer. At the end of the calendar year, total collections from the 5% fee are compared with total motor vehicle registration tax paid by the dealer on the same vehicles. If the 5% fee collections exceed the motor vehicle registration tax paid, the overage is remitted to the Department of Revenue and transferred to the HUTD fund.

Proposed Law: The bill allows motor vehicle rental companies to retain overages of the 5% motor vehicle rental fee collections in fiscal years 2022 to 2025 to offset motor vehicle registration tax costs not covered in calendar year 2020 by the 5% motor vehicle rental tax fee collections in calendar year 2020.

REVENUE ANALYSIS DETAIL

- Revenues from the motor vehicle rental tax excess fee are based on the February 2021 forecast.
- The 5% motor vehicle rental tax excess fee generated \$900,000 in fiscal year 2020.
- It is assumed vehicle rental companies will begin retaining additional fee revenue in fiscal year 2022.

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