

April 1, 2021

	<b>Yes</b>	<b>No</b>
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 1086 (Howe) 1<sup>st</sup> Engrossment, As Proposed to be Amended

	<b>Fund Impact</b>			
	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>
	(000's)			
All-Electric Vehicle Surcharge	\$2,000	\$2,400	\$2,800	\$3,300
Plug-In Hybrid Vehicle Surcharge	\$1,000	\$1,200	\$1,400	\$1,700
All-Electric Motorcycle Surcharge	negl.	\$10	\$10	\$10
Plug-In Hybrid Motorcycle Surcharge	<u>negl.</u>	<u>negl.</u>	<u>negl.</u>	<u>negl.</u>
Highway User Tax Distribution Fund – Total	\$3,000	\$3,610	\$4,210	\$5,010

Effective July 1, 2021.

**EXPLANATION OF THE BILL**

**Current Law:** The motor vehicle registration tax is \$10 plus a tax equal to 1.25% of the base value of a passenger vehicle. The flat tax for vehicles over 10 years old and the minimum tax for all vehicles is \$35. In addition to the motor vehicle registration tax, all-electric vehicles must pay a \$75 surcharge. Revenues are deposited into the Highway User Tax Distribution Fund. Plug-in hybrid vehicles are excluded from the all-electric vehicle definition.

**Proposed Law:** The bill increases the surcharge on all-electric vehicles to \$229. As proposed to be amended, a statutory provision that no vehicle pay more than the prior annual registration tax amount would be removed. New surcharges would be imposed, in addition to the motor vehicle registration tax, on (1) plug-in hybrid vehicles, \$114.50; (2) all-electric motorcycles, \$46; and (3) plug-in hybrid motorcycles, \$23. The surcharges would be adjusted proportionally if the motor fuels excise tax is changed.

**REVENUE ANALYSIS DETAIL**

- Information from the Department of Public Safety and the Department of Transportation was used to determine the count of all-electric, plug-in hybrid vehicles and motorcycles.
- The Department of Public Safety reported that sales of electric vehicles grew 18% and hybrid vehicles grew 16% from 2019 to 2020. It is assumed the growth rate will remain constant through the forecast period. It is assumed that electric and hybrid motorcycles will grow at the same rates as electric and hybrid vehicles.

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