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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3111

03/23/2023

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The bill was read for the first time and referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act
1.2 relating to transportation; modifying certain transportation-related taxes and tax
1.3 allocation; amending Minnesota Statutes 2022, sections 168.013, subdivision 1a;
1.4 297A.94.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2022, section 168.013, subdivision 1a, is amended to read:

1.7 Subd. 1a. Passenger automobile; hearse. (a) On passenger automobiles as defined in
1.8 section 168.002, subdivision 24, and hearses, except as otherwise provided, the registration
1.9 tax is calculated as \$10 plus:

1.10 (1) for a vehicle initially registered in Minnesota prior to November 16, 2020, ~~1.25~~ 0.93
1.11 percent of the manufacturer's suggested retail price of the vehicle and the destination charge,
1.12 subject to the adjustments in paragraphs (f) and (g); or

1.13 (2) for a vehicle initially registered in Minnesota on or after November 16, 2020, ~~1.285~~
1.14 0.965 percent of the manufacturer's suggested retail price of the vehicle, subject to the
1.15 adjustments in paragraphs (f) and (g).

1.16 (b) The registration tax calculation must not include the cost of each accessory or item
1.17 of optional equipment separately added to the vehicle and the manufacturer's suggested
1.18 retail price. The registration tax calculation must not include a destination charge, except
1.19 for a vehicle previously registered in Minnesota prior to November 16, 2020.

1.20 (c) In the case of the first registration of a new vehicle sold or leased by a licensed dealer,
1.21 the dealer may elect to individually determine the registration tax on the vehicle using
1.22 manufacturer's suggested retail price information provided by the manufacturer. The registrar

2.1 must use the manufacturer's suggested retail price determined by the dealer as provided in
 2.2 paragraph (d). A dealer that elects to make the determination must retain a copy of the
 2.3 manufacturer's suggested retail price label or other supporting documentation with the
 2.4 vehicle transaction records maintained under Minnesota Rules, part 7400.5200.

2.5 (d) The registrar must determine the manufacturer's suggested retail price:

2.6 (1) using list price information published by the manufacturer or any nationally
 2.7 recognized firm or association compiling such data for the automotive industry;

2.8 (2) if the list price information is unavailable, using the amount determined by a licensed
 2.9 dealer under paragraph (c);

2.10 (3) if a dealer does not determine the amount, using the retail price label as provided by
 2.11 the manufacturer under United States Code, title 15, section 1232; or

2.12 (4) if the retail price label is not available, using the actual sales price of the vehicle.

2.13 If the registrar is unable to ascertain the manufacturer's suggested retail price of any registered
 2.14 vehicle in the foregoing manner, the registrar may use any other available source or method.

2.15 (e) The registrar must calculate the registration tax using information available to dealers
 2.16 and deputy registrars at the time the initial application for registration is submitted.

2.17 (f) The amount under paragraph (a), clauses (1) and (2), must be calculated based on a
 2.18 percentage of the manufacturer's suggested retail price, as follows: during the first year of
 2.19 vehicle life, upon 100 percent of the price; for the second year, 90 percent of the price; for
 2.20 the third year, 80 percent of the price; for the fourth year, 70 percent of the price; for the
 2.21 fifth year, 60 percent of the price; for the sixth year, 50 percent of the price; for the seventh
 2.22 year, 40 percent of the price; for the eighth year, 30 percent of the price; for the ninth year,
 2.23 20 percent of the price; and for the tenth year, ten percent of the price.

2.24 (g) For the 11th and each succeeding year, the amount under paragraph (a), clauses (1)
 2.25 and (2), must be calculated as \$25.

2.26 (h) Except as provided in subdivision 23, for any vehicle previously registered in
 2.27 Minnesota and regardless of prior ownership, the total amount due under this subdivision
 2.28 and subdivision 1m must not exceed the smallest total amount previously paid or due on
 2.29 the vehicle.

2.30 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 2.31 applies to taxes payable for a registration period starting on or after January 1, 2024.

3.1 Sec. 2. Minnesota Statutes 2022, section 297A.94, is amended to read:

3.2 **297A.94 DEPOSIT OF REVENUES.**

3.3 (a) Except as provided in this section, the commissioner shall deposit the revenues,
3.4 including interest and penalties, derived from the taxes imposed by this chapter in the state
3.5 treasury and credit them to the general fund.

3.6 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
3.7 account in the special revenue fund if:

3.8 (1) the taxes are derived from sales and use of property and services purchased for the
3.9 construction and operation of an agricultural resource project; and

3.10 (2) the purchase was made on or after the date on which a conditional commitment was
3.11 made for a loan guaranty for the project under section 41A.04, subdivision 3.

3.12 The commissioner of management and budget shall certify to the commissioner the date on
3.13 which the project received the conditional commitment. The amount deposited in the loan
3.14 guaranty account must be reduced by any refunds and by the costs incurred by the Department
3.15 of Revenue to administer and enforce the assessment and collection of the taxes.

3.16 (c) The commissioner shall deposit the revenues, including interest and penalties, derived
3.17 from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3,
3.18 paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

3.19 (1) first to the general obligation special tax bond debt service account in each fiscal
3.20 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

3.21 (2) after the requirements of clause (1) have been met, the balance to the general fund.

3.22 (d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit
3.23 in the state treasury the revenues collected under section 297A.64, subdivision 1, including
3.24 interest and penalties and minus refunds, and credit them to the highway user tax distribution
3.25 fund.

3.26 (e) The commissioner shall deposit the revenues, including interest and penalties,
3.27 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
3.28 general fund. By July 15 of each year the commissioner shall transfer to the highway user
3.29 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
3.30 subdivision 5, for the previous calendar year.

3.31 (f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit
3.32 of revenues under paragraph (d), the commissioner shall deposit into the state treasury and

4.1 credit to the highway user tax distribution fund an amount equal to the estimated revenues
4.2 derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or
4.3 rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The
4.4 commissioner shall estimate the amount of sales tax revenue deposited under this paragraph
4.5 based on the amount of revenue deposited under paragraph (d).

4.6 (g) The commissioner ~~shall deposit an amount of the remittances monthly into the state~~
4.7 ~~treasury and credit them to the highway user tax distribution fund as a portion of the estimated~~
4.8 ~~amount of taxes collected from the sale and purchase of motor vehicle repair and replacement~~
4.9 ~~parts in that month. The monthly deposit amount is \$12,137,000. must deposit the revenues~~
4.10 derived from the taxes imposed on the sale and purchase of motor vehicle repair and
4.11 replacement parts in the state treasury and credit the revenues to the highway user tax
4.12 distribution fund.

4.13 For purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01,
4.14 subdivision 11, and "motor vehicle repair and replacement parts" includes (i) all parts, tires,
4.15 accessories, and equipment incorporated into or affixed to the motor vehicle as part of the
4.16 motor vehicle maintenance and repair, and (ii) paint, oil, and other fluids that remain on or
4.17 in the motor vehicle as part of the motor vehicle maintenance or repair. For purposes of this
4.18 paragraph, "tire" means any tire of the type used on highway vehicles, if wholly or partially
4.19 made of rubber and if marked according to federal regulations for highway use.

4.20 (h) 72.43 percent of the revenues, including interest and penalties, transmitted to the
4.21 commissioner under section 297A.65, must be deposited by the commissioner in the state
4.22 treasury as follows:

4.23 (1) 50 percent of the receipts must be deposited in the heritage enhancement account in
4.24 the game and fish fund, and may be spent only on activities that improve, enhance, or protect
4.25 fish and wildlife resources, including conservation, restoration, and enhancement of land,
4.26 water, and other natural resources of the state;

4.27 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
4.28 be spent only for state parks and trails;

4.29 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
4.30 be spent only on metropolitan park and trail grants;

4.31 (4) three percent of the receipts must be deposited in the natural resources fund, and
4.32 may be spent only on local trail grants; and

5.1 (5) two percent of the receipts must be deposited in the natural resources fund, and may
5.2 be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
5.3 and the Duluth Zoo.

5.4 (i) The revenue dedicated under paragraph (h) may not be used as a substitute for
5.5 traditional sources of funding for the purposes specified, but the dedicated revenue shall
5.6 supplement traditional sources of funding for those purposes. Land acquired with money
5.7 deposited in the game and fish fund under paragraph (h) must be open to public hunting
5.8 and fishing during the open season, except that in aquatic management areas or on lands
5.9 where angling easements have been acquired, fishing may be prohibited during certain times
5.10 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
5.11 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
5.12 resources under paragraph (h) must be allocated for field operations.

5.13 (j) The commissioner must deposit the revenues, including interest and penalties minus
5.14 any refunds, derived from the sale of items regulated under section 624.20, subdivision 1,
5.15 that may be sold to persons 18 years old or older and that are not prohibited from use by
5.16 the general public under section 624.21, in the state treasury and credit:

5.17 (1) 25 percent to the volunteer fire assistance grant account established under section
5.18 88.068;

5.19 (2) 25 percent to the fire safety account established under section 297I.06, subdivision
5.20 3; and

5.21 (3) the remainder to the general fund.

5.22 For purposes of this paragraph, the percentage of total sales and use tax revenue derived
5.23 from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be
5.24 sold to persons 18 years old or older and are not prohibited from use by the general public
5.25 under section 624.21, is a set percentage of the total sales and use tax revenues collected in
5.26 the state, with the percentage determined under Laws 2017, First Special Session chapter
5.27 1, article 3, section 39.

5.28 (k) The revenues deposited under paragraphs (a) to (j) do not include the revenues,
5.29 including interest and penalties, generated by the sales tax imposed under section 297A.62,
5.30 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
5.31 article XI, section 15.

5.32 **EFFECTIVE DATE.** This section is effective July 1, 2023.