

March 6, 2017

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

Department of Revenue

Analysis of H.F. 460 (Swedzinski) First Engrossment, As Proposed to be Amended (H0460A2)

	<b>Fund Impact</b>			
	<b>F.Y. 2018</b>	<b>F.Y. 2019</b>	<b>F.Y. 2020</b>	<b>F.Y. 2021</b>
	(000's)			
Motor Vehicle Rental Tax (9.2%)	(\$24,400)	(\$27,900)	(\$29,000)	(\$30,200)
Sales Tax on Rental Motor Vehicles (6.5%)	<u>(\$17,200)</u>	<u>(\$19,700)</u>	<u>(\$20,500)</u>	<u>(\$21,300)</u>
General Fund Total	(\$41,600)	(\$47,600)	(\$49,500)	(\$51,500)
Motor Vehicle Rental Tax (9.2%)	\$24,400	\$27,900	\$29,000	\$30,200
Sales Tax on Rental Motor Vehicles (6.5%)	<u>\$17,200</u>	<u>\$19,700</u>	<u>\$20,500</u>	<u>\$21,300</u>
Trunk Highway Fund Total	\$41,600	\$47,600	\$49,500	\$51,500

Effective for sales and purchases made after June 30, 2017.

**EXPLANATION OF THE BILL**

**Current Law:** In addition to the 6.875% sales tax, a tax of 9.2% is imposed on the rental of a car, van, or pickup truck for not more than 28 days. The proceeds of the sales tax (6.5% of the 6.875%) and the motor vehicle rental tax (9.2%) go to the General Fund.

**Proposed Law:** The bill would appropriate revenues from the 9.2% motor vehicle rental tax and the related 6.5% sales tax on short-term rental vehicles to the Commissioner of Transportation for use in funding the Corridors of Commerce Program. The 0.375% portion of the 6.875% sales tax is constitutionally dedicated to the Natural Resources and Arts Funds and is not affected.

**REVENUE ANALYSIS DETAIL**

- Baseline revenues for the 9.2% car rental tax are from the February 2017 forecast.
- The 9.2% motor vehicle rental tax generated \$24.4 million in fiscal year 2016.
- Estimates of the revenues from the 6.5% sales tax on car rentals are proportional to the 9.2% forecast amounts.
- The fiscal year 2018 estimate is adjusted for eleven months of collections.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)