

## HF3547 - 0 - Motor Vehicle Registration Tax

Chief Author: **Brad Tabke**  
 Committee: **Transportation Finance & Policy Division**  
 Date Completed: **2/27/2020 9:05:05 AM**  
 Lead Agency: **Public Safety Dept**  
 Other Agencies:  
     Revenue Dept                      Transportation Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
<b>Transportation Dept</b>						
Municipal State Aid Street		-	-	-	-	-
County State Aid Highway		-	-	-	-	-
Trunk Highway		-	-	2,179	3,240	4,300
Highway Users Tax Distribution		-	-	-	-	-
<b>State Total</b>						
Municipal State Aid Street		-	-	-	-	-
County State Aid Highway		-	-	-	-	-
Trunk Highway		-	-	2,179	3,240	4,300
Highway Users Tax Distribution		-	-	-	-	-
<b>Total</b>		-	-	<b>2,179</b>	<b>3,240</b>	<b>4,300</b>
<b>Biennial Total</b>				<b>2,179</b>		<b>7,540</b>

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2019	FY2020	FY2021	FY2022	FY2023
<b>Transportation Dept</b>						
Municipal State Aid Street		-	-	-	-	-
County State Aid Highway		-	-	-	-	-
Trunk Highway		-	-	-	-	-
Highway Users Tax Distribution		-	-	-	-	-
<b>Total</b>		-	-	-	-	-

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Laura Cecko      **Date:** 2/27/2020 9:05:05 AM  
**Phone:** 651-284-6543      **Email:** laura.cecko@lbo.leg.mn



**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>		<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
					<b>FY2023</b>
<b>Transportation Dept</b>					
Municipal State Aid Street	-	-	-	-	-
County State Aid Highway	-	-	-	-	-
Trunk Highway	-	-	2,179	3,240	4,300
Highway Users Tax Distribution	-	-	-	-	-
<b>Total</b>	-	-	<b>2,179</b>	<b>3,240</b>	<b>4,300</b>
<b>Biennial Total</b>			<b>2,179</b>		<b>7,540</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Transportation Dept</b>					
Municipal State Aid Street	-	-	(316)	(470)	(624)
County State Aid Highway	-	-	(1,204)	(1,790)	(2,376)
Trunk Highway	-	-	-	-	-
Highway Users Tax Distribution					
Expenditures	-	-	-	-	-
Transfers Out	-	-	(3,700)	(5,500)	(7,300)
<b>Total</b>	-	-	<b>(5,220)</b>	<b>(7,760)</b>	<b>(10,300)</b>
<b>Biennial Total</b>			<b>(5,220)</b>		<b>(18,060)</b>
<b>2 - Revenues, Transfers In*</b>					
<b>Transportation Dept</b>					
Municipal State Aid Street					
Revenues	-	-	-	-	-
Transfers In	-	-	(316)	(470)	(624)
County State Aid Highway					
Revenues	-	-	-	-	-
Transfers In	-	-	(1,204)	(1,790)	(2,376)
Trunk Highway					
Revenues	-	-	-	-	-
Transfers In	-	-	(2,179)	(3,240)	(4,300)
Highway Users Tax Distribution	-	-	(3,700)	(5,500)	(7,300)
<b>Total</b>	-	-	<b>(7,399)</b>	<b>(11,000)</b>	<b>(14,600)</b>
<b>Biennial Total</b>			<b>(7,399)</b>		<b>(25,600)</b>

## HF3547 - 0 - Motor Vehicle Registration Tax

Chief Author: **Brad Tabke**  
 Committee: **Transportation Finance & Policy Division**  
 Date Completed: **2/27/2020 9:05:05 AM**  
 Agency: **Public Safety Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2019	FY2020	FY2021	FY2022	FY2023
Total		-	-	-	-	-

## LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Laura Cecko      **Date:** 2/27/2020 7:55:33 AM  
**Phone:** 651-284-6543      **Email:** laura.cecko@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

This legislation would amend Minnesota Statutes 168.013, subd 1a and would require the Minnesota Department of Public Safety (DPS) to revise the calculation of the motor vehicle registration tax and allow the Commissioner of DPS to correct inaccurate vehicle registration tax. It will create the grandfathering of the calculation of registration tax for currently registered vehicles and create a new structure for calculating registration tax for vehicles titled and registered after the effective date of the legislation.

**Assumptions**

The new registration tax calculation will be based on the manufacturer's suggested retail price (MSRP) of the vehicle. This will be determined by a licensed dealer, the manufacturer or nationally recognized company that decodes a vehicles identification number (VIN), or the price label as provided by the manufacturer.

Training for DPS Driver and Vehicle Services (DVS) and deputy registrar staff on the new registration tax model would be required along with changes to the tax manual. These efforts can be absorbed by DVS as part of regular training provided by: 1.) regionally-based deputy liaisons to the 14-18 deputy registrar offices in their region, and 2.) Title and Registration trainers for the Vehicle Services staff.

Based on the FAST contract the programming hours to the Vehicle Title and Registration System (VTRS) to complete the necessary changes to implement a new registration tax structure does not have a fiscal impact.

The effective date of the legislation is the day following final enactment and applies to taxes payable for a registration period starting on or after the initial deployment of VTRS. Legislation needs to be signed by March 1, 2020 to not impact the VTRS project launch date of November 16, 2020. If legislation is signed after March 1, 2020 the legislation will need an effective date of on or before January 1, 2021 to not impact the VTRS project.

The change in calculation method for vehicle registration tax impacts tax revenues and the Minnesota Department of Revenue will provide the estimated impact to the Highway User Tax Distribution fund.

**Expenditure and/or Revenue Formula****Long-Term Fiscal Considerations****Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Alice Emma Corrie 651-201-7580

**Agency Fiscal Note Coordinator Signature:** Larry Freund

**Phone:** 651-201-7050

**Date:** 2/24/2020 1:41:02 PM

**Email:** Larry.Freund@state.mn.us

## HF3547 - 0 - Motor Vehicle Registration Tax

Chief Author: **Brad Tabke**  
 Committee: **Transportation Finance & Policy Division**  
 Date Completed: **2/27/2020 9:05:05 AM**  
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Dollars in Thousands					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joe Harney      **Date:** 2/26/2020 8:40:10 PM  
**Phone:** 651-284-6438      **Email:** joe.harney@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

The bill adjusts the formula used to calculate the registration fee for select vehicles as defined in the bill.

**Assumptions**

The Department of Public Safety (DPS) administers the registration fee noted in this bill.

The Department of Revenue does not have administrative impact as a result of this bill.

**Expenditure and/or Revenue Formula**

MnDOT completed the revenue impact for this bill and included it in their Fiscal Note.

**Long-Term Fiscal Considerations****Local Fiscal Impact****References/Sources**

Agency staff and provided information for this fiscal note.

**Agency Contact:** Lisa Knops 651-556-6754

**Agency Fiscal Note Coordinator Signature:** Lisa Knops

**Phone:** 651-556-6754

**Date:** 2/26/2020 5:34:37 PM

**Email:** Lisa.Knops@state.mn.us



## HF3547 - 0 - Motor Vehicle Registration Tax

Chief Author: **Brad Tabke**  
 Committee: **Transportation Finance & Policy Division**  
 Date Completed: **2/27/2020 9:05:05 AM**  
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Municipal State Aid Street	-	-	-	-	-
County State Aid Highway	-	-	-	-	-
Trunk Highway	-	-	2,179	3,240	4,300
Highway Users Tax Distribution	-	-	-	-	-
<b>Total</b>	-	-	<b>2,179</b>	<b>3,240</b>	<b>4,300</b>
<b>Biennial Total</b>			<b>2,179</b>		<b>7,540</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Municipal State Aid Street	-	-	-	-	-
County State Aid Highway	-	-	-	-	-
Trunk Highway	-	-	-	-	-
Highway Users Tax Distribution	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Laura Cecko      **Date:** 2/27/2020 9:04:09 AM  
**Phone:** 651-284-6543      **Email:** laura.cecko@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>		<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
					<b>FY2023</b>
Municipal State Aid Street	-	-	-	-	-
County State Aid Highway	-	-	-	-	-
Trunk Highway	-	-	2,179	3,240	4,300
Highway Users Tax Distribution	-	-	-	-	-
<b>Total</b>	-	-	<b>2,179</b>	<b>3,240</b>	<b>4,300</b>
<b>Biennial Total</b>			<b>2,179</b>		<b>7,540</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Municipal State Aid Street	-	-	(316)	(470)	(624)
County State Aid Highway	-	-	(1,204)	(1,790)	(2,376)
Trunk Highway	-	-	-	-	-
Highway Users Tax Distribution					
Expenditures	-	-	-	-	-
Transfers Out	-	-	(3,700)	(5,500)	(7,300)
<b>Total</b>	-	-	<b>(5,220)</b>	<b>(7,760)</b>	<b>(10,300)</b>
<b>Biennial Total</b>			<b>(5,220)</b>		<b>(18,060)</b>
<b>2 - Revenues, Transfers In*</b>					
Municipal State Aid Street					
Revenues	-	-	-	-	-
Transfers In	-	-	(316)	(470)	(624)
County State Aid Highway					
Revenues	-	-	-	-	-
Transfers In	-	-	(1,204)	(1,790)	(2,376)
Trunk Highway					
Revenues	-	-	-	-	-
Transfers In	-	-	(2,179)	(3,240)	(4,300)
Highway Users Tax Distribution	-	-	(3,700)	(5,500)	(7,300)
<b>Total</b>	-	-	<b>(7,399)</b>	<b>(11,000)</b>	<b>(14,600)</b>
<b>Biennial Total</b>			<b>(7,399)</b>		<b>(25,600)</b>

**Bill Description**

House File 3547/SF3497 would change the motor vehicle registration tax law by eliminating the destination charge as a component of the registration tax calculation. This therefore defines the base value as the manufacturer's suggested retail price (MSRP) for newly registered vehicles. This is only effective for vehicles newly registered after the effective date, which is defined as after initial deployment of the replacement motor vehicle information technology system. In addition, the base value of the vehicle may be changed for data integrity purposes

**Assumptions**

The estimate of the change in revenue to the HUTD Fund due to the proposed changes to motor vehicle registration taxes was based on a snapshot of the Minnesota passenger vehicle fleet, which includes the vehicle ages, current base values and corresponding Polk MSRP values. The fleet snapshot reflects February 2020 data and is provided by the Department of Public Safety (DPS) from the Minnesota Licensing and Registration System. MnDOT calculated the registration tax difference for all 1 year old vehicles for the FY2021 estimate, added the calculated difference for all 2 year old vehicles for

FY2022 vehicles, and so forth. 4.8 million vehicles were included in the calculation. This estimate assumes the vehicle fleet composition remains relatively static, but changes in type, age and prices of vehicles in the fleet could result in significantly different revenue results. The \$3.7 million variance in FY2021 below is about .5% of the total forecast registration tax revenue for this fleet.

There may be a very slight impact to the General Fund for income tax revenue, because the motor vehicle registration taxes can be claimed as an itemized deduction on individual income tax returns. Lower registration taxes may decrease claimed deductions and reduce income tax revenue very slightly. However, because these changes are so small and individual changes vary by vehicle and whether itemizing deductions occurs, this minor difference has not been estimated.

#### **Expenditure and/or Revenue Formula**

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>HUTD Revenue</b>	<b>(3,700)</b>	<b>(5,500)</b>	<b>(7,300)</b>
Trunk Highway Fund (62% of 95%)	(2,179)	(3,240)	(4,300)
County State Aid Highway Fund:			
<i>County State Aid Highway Fund (29% of 95%)</i>	<i>(1,019)</i>	<i>(1,515)</i>	<i>(2,011)</i>
<i>Flexible Highway Account (53.5% of 5%)</i>	<i>(99)</i>	<i>(147)</i>	<i>(195)</i>
<i>Town Road Account (30.5% of 5%)</i>	<i>(56)</i>	<i>(84)</i>	<i>(111)</i>
<i>Town Bridge Account (16% of 5%)</i>	<i>(30)</i>	<i>(44)</i>	<i>(58)</i>
Subtotal, CSAH Fund	(1,204)	(1,790)	(2,376)
Municipal State Aid Street Fund (9% of 95%)	(316)	(470)	(624)
<b>Total</b>	<b>(3,700)</b>	<b>(5,500)</b>	<b>(7,300)</b>

A summary of the revenue impacts by fund (in thousands) is shown above. The percentage allocations from the HUTD Fund to the other funds are per the Minnesota Constitution, Article XIV and Minnesota Statutes 161.08. In the fiscal note system the HUTD revenue change is shown as a reduced transfer from the HUTD fund, and then as reduced transfers to the TH, CSAH, and MSAS Funds to reflect how these revenues actually flow between funds.

Because the funds in CSAH and MSAS are statutorily appropriated, these reduced revenues also correspondingly reduce expenditures.

#### **Long-Term Fiscal Considerations**

By using the assumptions and calculations noted above, the revenue decreases will continue. The rough revenue impact estimate is a \$14 million decrease in the eleventh year, after which the impact should stabilize.

#### **Local Fiscal Impact**

Reduced HUTD revenues would reduce the amounts counties and cities receive for transportation projects in the CSAH and MSAS funds.

#### **References/Sources**

Minnesota Department of Public Safety (DPS)

MnDOT Office of Finance (OFM)

#### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Lynn Poirier

**Phone:** 651-366-4869

**Date:** 2/27/2020 8:37:57 AM

**Email:** Lynn.Poirier@state.mn.us

