Revised

Consolidated Fiscal Note **2025-2026 Legislative Session**

HF3562 - 0 - Motor Vehicle Registration Tax Modified

Chief Author: **Patti Anderson**
Commitee: **Transportation Finance and Policy**
Date Completed: **3/12/2026 8:03:36 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	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	159,237	350,471	381,615
State Total					
Restrict Misc Special Revenue	-	-	-	-	-
Highway Users Tax Distribution	-	-	159,237	350,471	381,615
Total	**-**	**-**	**159,237**	**350,471**	**381,615**
Biennial Total			**159,237**		**732,086**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

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.
This fiscal note was revised to add the Department of Transportation to the fiscal note.

LBO Signature: Laura Cecko **Date:** 3/12/2026 8:03:36 AM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

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.

State Cost (Savings) = 1-2			Biennium		Biennium
Dollars in Thousands	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	159,237	350,471	381,615
Total	**-**	**-**	**159,237**	**350,471**	**381,615**
Biennial Total			**159,237**		**732,086**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue					
Expenditures	-	-	27	-	-
Absorbed Costs	-	-	(27)	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
2 - Revenues, Transfers In*					
Public Safety Dept	-	-	-	-	-
Restrict Misc Special Revenue	-	-	-	-	-
Transportation Dept					
Highway Users Tax Distribution	-	-	(159,237)	(350,471)	(381,615)
Total	**-**	**-**	**(159,237)**	**(350,471)**	**(381,615)**
Biennial Total			**(159,237)**		**(732,086)**

Revised

Fiscal Note **2025-2026 Legislative Session**

HF3562 - 0 - Motor Vehicle Registration Tax Modified

Chief Author:	**Patti Anderson**
Commitee:	**Transportation Finance and Policy**
Date Completed:	**3/12/2026 8:03:36 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	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
Restrict Misc Special Revenue	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Full Time Equivalent Positions (FTE)		**Biennium**		**Biennium**	
	FY2025	**FY2026**	**FY2027**	**FY2028**	**FY2029**
Restrict Misc Special Revenue	-	-	-	-	-
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.
This fiscal note was revised to assign MnDot.

LBO Signature: Laura Cecko **Date:** 3/11/2026 3:21:51 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

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.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Restrict Misc Special Revenue					
Expenditures	-	-	27	-	-
Absorbed Costs	-	-	(27)	-	-
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Restrict Misc Special Revenue	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill proposes modifying registration tax calculations for passenger class vehicles. For vehicles initially registered before Nov. 16, 2020, it would lower the percentage of the manufacturer's suggested retail price (MSRP) from 1.54% to 1.25% and for vehicles initially registered on or after Nov. 16, 2020, it would lower the percentage of the MSRP from 1.575% to 1.285%.

In addition, it would lower the percentage of the MSRP used in the calculation based on the year of vehicle life beginning with the second year of vehicle life.

These changes would take effect with registration periods starting on or after January 1, 2027.

Assumptions

DVS currently allows vehicle owners to renew their registration up to six months in advance of theirexpirationdate. A temporary change to the system will be made to shorten this window of time to 60 days, allowing the DVS vendor enough time to implement system changes needed to calculate the lower percentage rate for registration periods starting on or after January 1, 2027.

The DVS vendor will complete the necessary system changes to MNDrive before November 1, 2026, to allow DVS time to proof the renewal notices that are generated for the first affected registration period that begins on Jan. 1, 2027.

System changes needed to accommodate the bill proposal will require120hours of MNDrive programming by the vendor to configure thenew registrationtax calculation rates, update any transaction-related needs, update helptopicsand other areas of the system. For FY 2027, the vendor's hourly rate is $227.10 for a total programming cost of $27,252(120hours x $227.10 per hour = $27,252). These costs will be absorbed by the current vendor contract with DVS.

Expenditure and/or Revenue Formula

MNDrive programing = $27,252 (absorbed)

Long-Term Fiscal Considerations

Local Fiscal Impact

There may be an impactonlocal units of government thatutilizethe highway user tax distribution (HUTD) fund that registration taxes partially fund.

References/Sources

Agency Contact: Pong Xiong

Agency Fiscal Note Coordinator Signature: Nicole Mickelson **Date:** 3/3/2026 2:26:31 PM

Phone: 651-201-7045 **Email:** nicole.mickelson@state.mn.us

Revised

Fiscal Note **2025-2026 Legislative Session**

HF3562 - 0 - Motor Vehicle Registration Tax Modified

Chief Author: **Patti Anderson**
Commitee: **Transportation Finance and Policy**
Date Completed: **3/12/2026 8:03:36 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	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
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.
This fiscal note was revised to add the Department of Transportation to the fiscal note.

LBO Signature: Joel Enders **Date:** 3/11/2026 7:58:15 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

Revised

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.

State Cost (Savings) = 1-2			Biennium		Biennium
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

HF 3562 amends Minnesota Statutes 2025 Supplement, section 168.013, subd. 1a to modify the calculation of the motor vehicle registration tax.

Assumptions

The Department of Revenue assumes that since it does not administer motor vehicle registration taxes, this bill does not impact the agency.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: George Drometer **Date:** 3/11/2026 12:55:07 PM

Phone: 651-556-6009 **Email:** george.drometer@state.mn.us

Revised

Fiscal Note **2025-2026 Legislative Session**

HF3562 - 0 - Motor Vehicle Registration Tax Modified

Chief Author:	**Patti Anderson**
Commitee:	**Transportation Finance and Policy**
Date Completed:	**3/12/2026 8:03:36 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)		Biennium		Biennium	
Dollars in Thousands	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
Highway Users Tax Distribution	-	-	159,237	350,471	381,615
Total	**-**	**-**	**159,237**	**350,471**	**381,615**
Biennial Total			**159,237**		**732,086**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2025	**FY2026**	**FY2027**	**FY2028**	**FY2029**
Highway Users Tax Distribution	-	-	-	-	-
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.
This fiscal note was revised to add the Department of Transportation to the fiscal note.

LBO Signature: Laura Cecko **Date:** 3/12/2026 8:03:01 AM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

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.

State Cost (Savings) = 1-2			Biennium		Biennium
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Highway Users Tax Distribution	-	-	159,237	350,471	381,615
Total	**-**	**-**	**159,237**	**350,471**	**381,615**
Biennial Total			**159,237**		**732,086**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Highway Users Tax Distribution	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
2 - Revenues, Transfers In*					
Highway Users Tax Distribution	-	-	(159,237)	(350,471)	(381,615)
Total	**-**	**-**	**(159,237)**	**(350,471)**	**(381,615)**
Biennial Total			**(159,237)**		**(732,086)**

Bill Description

This bill proposes changing the percentage of the manufacturer's suggested retail price (MSRP) of a vehicle to determine registration tax for registration periods beginning on or after January 1, 2027.

The bill takes effect the day following final enactment and applies to registration periods starting in 2027.

For vehicles first registered in Minnesota before November 16, 2020, the bill changes the rate from 1.54% to 1.25%. For all others, the rate changes from 1.575% to 1.285%.

The bill also changes the depreciation schedule.

Assumptions

MnDOT assumes a 6% annual scrappage rate for cars that were first registered eleven or more years ago. MnDOT uses annual new car growth rate estimates from Minnesota Management and Budget. MnDOT uses annual vehicle counts and average MSRP values from the Department of Public Safety, assuming an annual depreciation rate of 7.1%.

MnDOT assumes that DPS will cover the administrative costs associated with implementing this bill.

Expenditure and/or Revenue Formula

MnDOT's November '25 forecast predicts these Motor Vehicle Registration Tax revenues (in thousands of dollars):

FY27	FY28	FY29
1,218,440	1,267,180	1,317,860

Based on a MnDOT created calculator for registration tax impacts, the new tax rates reflect these impacts on forecasted revenues (in thousands of dollars):

FY27	FY28	FY29
(159,237)	(350,471)	(381,615)

Those interested may request a copy of MnDOT’s registration tax calculator to view the calculation breakdown.

Long-Term Fiscal Considerations

MnDOT assumes revenue impacts would continue.

Local Fiscal Impact

None

References/Sources

Department of Public Safety

MnDOT Office of Financial Management

Agency Contact: Catherine Greene

Agency Fiscal Note Coordinator Signature: Catherine Greene **Date:** 3/11/2026 4:16:40 PM

Phone: 612-523-2198 **Email:** catherine.greene@state.mn.us