

MINNESOTA • REVENUE

GENERAL SALES AND USE TAX MOTOR VEHICLE SALES TAX Used Goods and Vehicles

March 3, 2015

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 494 (Hall) / H.F. 797 (Sundin)

	Fund Impact			
	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>
	(000's)			
General Sales and Use Tax				
General Fund	(\$19,600)	(\$22,800)	(\$23,700)	(\$24,500)
Natural Resources and Arts Funds	(\$1,300)	(\$1,500)	(\$1,500)	(\$1,600)
State Airports Fund	<u>(\$2,000)</u>	<u>(\$2,000)</u>	<u>(\$2,000)</u>	<u>(\$2,000)</u>
Total	(\$22,900)	(\$26,300)	(\$27,200)	(\$28,100)
Motor Vehicle Sales Tax				
Highway User Tax Distribution Fund	(\$257,700)	(\$274,300)	(\$290,100)	(\$297,000)
Transit Assistance Fund	<u>(\$171,800)</u>	<u>(\$182,900)</u>	<u>(\$193,400)</u>	<u>(\$198,000)</u>
Total	(\$429,500)	(\$457,200)	(\$483,500)	(\$495,000)
Total – All Funds	(\$452,400)	(\$483,500)	(\$510,700)	(\$523,100)

Effective for sales and purchases made after June 30, 2015.

EXPLANATION OF THE BILL

Current Law: Goods that are taxable when sold or leased new are presumed to be taxable if they are sold at retail or leased a second time. The sale or transfer of used a motor vehicle is taxable unless a specific exemption applies.

Proposed Law: The bill would exempt used goods from the general sales and use tax and used motor vehicles from the motor vehicle sales tax. The exemption also includes sales and leases of used non-commercial aircraft.

REVENUE ANALYSIS DETAIL

General Sales and Use Tax

- The general sales tax estimate for used goods is based on output from the Department's updated consumption tax model.
- The estimate excludes exempt items (e.g., clothing, drugs and medicines, capital equipment) and exempt transactions (e.g., sales for resale, sales to exempt entities).

REVENUE ANALYSIS DETAIL (Cont.)

- The estimate for fiscal year 2016 was adjusted for an assumed effective date of July 1, 2015.
- The general sales and use tax is imposed on sales of new and used non-commercial aircraft, and the revenues from this source are deposited in the State Airports Fund. The impact on the Airports Fund reflects the tax loss that would take place if used non-commercial aircraft are exempted.

Motor Vehicle Sales Tax

- The estimates for exempting used motor vehicles are based on used car information developed for the 2014 Minnesota Tax Expenditure Budget and national industry data for new car sales.
- It is estimated that the sales of used passenger car are 58% of the tax proceeds and the sales of new passenger vehicles are 42% of the total motor vehicle sales tax collected.
- Assuming that new and used vehicle sales percentages are similar for all vehicle sales (including large trucks and motorcycles), the estimated new and used car percentages are applied to the February 2015 motor vehicle sales tax forecast from Minnesota Management and Budget.

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)