

HF731 - 0 - "Tax Exempt Disabled Veteran; MV Watercraft"

Chief Author: **Jeff Brand**
 Committee: **Environment & Natural Resources Finance Division**
 Date Completed: **02/28/2019**
 Lead Agency: **Public Safety Dept**
 Other Agencies:
 Natural Resources Dept 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) Dollars in Thousands	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Natural Resources Dept					
General Fund	-	4	4	4	4
Water Recreation	-	58	23	23	23
Invasive Species	-	3	3	3	3
Natural Resource Misc. Statutory	-	1	1	1	1
Public Safety Dept					
General Fund	-	6	12	12	12
Restrict Misc. Special Revenue	-	637	108	108	108
State Total					
General Fund	-	10	16	16	16
Water Recreation	-	58	23	23	23
Invasive Species	-	3	3	3	3
Natural Resource Misc. Statutory	-	1	1	1	1
Restrict Misc. Special Revenue	-	637	108	108	108
Total	-	709	151	151	151
Biennial Total			860		302

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Natural Resources Dept					
General Fund	-	-	-	-	-
Water Recreation	-	-	-	-	-
Invasive Species	-	-	-	-	-
Natural Resource Misc. Statutory	-	-	-	-	-
Public Safety Dept					
General Fund	-	-	-	-	-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Laura Logsdon Date: 02/28/2019
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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		FY2019	FY2020	FY2021	FY2022	FY2023
Natural Resources Dept						
General Fund	-	4	4	4	4	4
Water Recreation	-	58	23	23	23	23
Invasive Species	-	3	3	3	3	3
Natural Resource Misc. Statutory	-	1	1	1	1	1
Public Safety Dept						
General Fund	-	6	12	12	12	12
Restrict Misc. Special Revenue	-	637	108	108	108	108
Total	-	709	151	151	151	151
		Biennial Total	860	302		
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Natural Resources Dept						
General Fund	-	-	-	-	-	-
Water Recreation	-	35	-	-	-	-
Invasive Species	-	-	-	-	-	-
Natural Resource Misc. Statutory	-	-	-	-	-	-
Public Safety Dept						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	583	-	-	-	-
Total	-	618	-	-	-	-
		Biennial Total	618	-		
2 - Revenues, Transfers In*						
Natural Resources Dept						
General Fund	-	(4)	(4)	(4)	(4)	(4)
Water Recreation	-	(23)	(23)	(23)	(23)	(23)
Invasive Species	-	(3)	(3)	(3)	(3)	(3)
Natural Resource Misc. Statutory	-	(1)	(1)	(1)	(1)	(1)
Public Safety Dept						
General Fund	-	(6)	(12)	(12)	(12)	(12)
Restrict Misc. Special Revenue	-	(54)	(108)	(108)	(108)	(108)
Total	-	(91)	(151)	(151)	(151)	(151)
		Biennial Total	(242)	(302)		

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 Date Completed: **02/28/2019**
 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
General Fund	-	6	12	12	12	12
Restrict Misc. Special Revenue	-	637	108	108	108	108
Total	-	643	120	120	120	120
Biennial Total			763			240

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Laura Logsdon Date: 2/28/2019 3:32:38 PM
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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	FY2019	FY2020	FY2021	FY2022	FY2023	
General Fund	-	6	12	12	12	
Restrict Misc. Special Revenue	-	637	108	108	108	
Total	-	643	120	120	120	120
			763			240
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	583	-	-	-	-
Total	-	583	-	-	-	-
			583			-
2 - Revenues, Transfers In*						
General Fund	-	(6)	(12)	(12)	(12)	(12)
Restrict Misc. Special Revenue	-	(54)	(108)	(108)	(108)	(108)
Total	-	(60)	(120)	(120)	(120)	(120)
			(180)			(240)

Bill Description

This legislation modifies various Minnesota Statutes to provide veterans with a 100 percent total and permanent service-connected disability rating exemption from certain taxes and fees including certain registration taxes, license plates and licensing fees, title fees, driver's license and identification card fees and general sales taxes and motor vehicle sales taxes. The Driver & Vehicle Services Division (DVS) is addressing the fiscal impact of Sections 163.051, 168.012, 168A.29, 171.06 and 297B.03 on the division.

Assumptions

Assumes the effective date is the day following final enactment and applies to taxes and fees payable for the registration period starting on or after January 1, 2020. Ability to complete necessary changes to the Minnesota Licensing and Registration System (MNLARS) prior to effective date is contingent upon if and/or when funds are received for programming costs and on-going system costs.

Vehicle Services:

Assumes the total estimated number of 100% Minnesota disabled veterans is 8,220 and any vehicle owned either solely or jointly by the eligible veteran would qualify. This fiscal note will be calculated assuming each qualified veteran would own or co-own one passenger vehicle (double plates).

Assumes 489 eligible veterans would purchase a new car, 978 would purchase a used car and 6,753 annual registration renewals.

Assumes 40 eligible veterans would purchase a new recreational vehicle (RV), 50 eligible veterans would purchase a used RV and 260 annual registration renewals on existing ownerships.

Assumes a title fee of \$8.25 on each new or used passenger vehicle and RV transaction of which \$4.15 is deposited to the Vehicle Services Special Revenue account and \$4.10 to the general fund. An additional \$3.50 fee is paid on each title transaction and deposited to the Public Safety Vehicle (PSV) account.

Assumes a vehicle registration filing fee of \$6 on each passenger vehicle and RV registration renewal. Deputy Registrar locations process 80% of registration transactions with the \$6 vehicle registration filing fees deposited 100% to the

collecting Deputy Registrar. Remaining 20% of registration transactions are processed by DVS with \$4.50 deposited to the Vehicle Services Special Revenue account and \$1.50 deposited to the technology account (MS 168.33, subd 7 e1).

Assumes a \$10 filing fee for all other transaction types which includes new and used title transactions. The number of transactions related to qualified veteran new and used vehicle transactions would be 1,557. Deputy Registrar locations process 80% of these transactions with the \$10 filing fee retained by the collecting Deputy Registrar. The remaining 20% of transactions are processed by DVS with \$3.50 is deposited to the general fund, \$5.00 to the Vehicle Services Special Revenue account, and \$1.50 to the technology account (MS 168.33, subd 7 (B) 2).

Assumes a double plate fee of \$6 on all new passenger and RV's. All plates are replaced every seven years which calculates to a 14.3% replacement rate on existing registrations each year which is deposited to the Vehicle Services Special Revenue account. (The number of single plates and special plates currently assigned to 100% disabled veterans cannot be determined.)

Assumes a county wheelage tax of between \$10 and \$20 as determined by each county that authorize the tax and the net wheelage tax revenues are deposited to the appropriate county account to be used for local transportation purposes (MS 163.051, subd. 2a). Note: wheelage tax is not charged on RV's.

Driver Services:

Assumes driver's licenses are renewed every four years, therefore; 25% of the estimated 8,220 100% disabled veterans (2,055) would renew each year. DVS is unable to determine how many qualified veterans hold Minnesota identification cards; which class or type of driver's license; or two-wheeled endorsements so this fiscal note will be calculated as all currently hold class D licenses and the same percentage of two-wheeled endorsements as the general population.

Assumes class D license fee of \$17.25 and \$8.00 filing fee.

Assumes Enhanced Driver's License (EDL) upgrade fee of \$15.00 is deposited to the Driver Services Special Revenue account and all eligible veterans will opt for the upgrade if offered at no charge.

Assumes Driver License Agent locations process 74% of license transactions with the \$8 registration filing fees deposited 100% to the collecting Agent. Remaining 26% of license transactions are processed by DVS with fees deposited to the Driver Services Special Revenue account.

Assumes 16% of eligible licensed drivers (329) will renew a two-wheeled vehicle endorsement each year for \$13.00/each with \$7.00 deposited to the motorcycle safety fund and \$6.00 to the general fund.

Technology MNLARS:

Assumes MNLARS system stabilization and performance tuning work must be completed as a prerequisite to adding functionality as required in this bill.

Assumes implementation of system changes in this bill would be prioritized ahead of stakeholder priorities identified through MNLARS governance processes.

Assumes multiple releases over a development, test, deploy timeline.

Assumes 4,629 total hours (926 planning hours, 1,157 design hours, 1,851 build hours, 695 deployment/testing hours) for enhancements to MNLARS to allow for the exemption of registration taxes and fees, title fees, and sales tax on motor vehicle title and registration transactions for disabled veterans that have 100% total and permanent service-connected disability rating as adjudicated by the U.S. Veterans Administration or retirement board of one of the branches of the armed forces. Software Development Fiscal Impact Estimate Methodology: Estimated development hours are based on level of effort required for substantially similar development work already completed on the driver and vehicle systems. Then, utilizing industry standard estimating percentages, additional hours were derived for Planning (20% of total development hours), Design (25% of total development hours) and Deployment/Testing (15% of total development hours). Planning includes: Project Management, Risk Management, Business Case Definition, Business Requirements, Business Analysis, and Process Analysis. Design includes: User Interface Design, Database Design/Administration, Functional Specifications, and Technical/Systems/Operations Analysis. Deployment/Testing includes: Software Testing, Automated Build/Deployment Management, Test Automation, User Acceptance Testing, Performance Testing, Regression Testing

Assumes average consulting rate is \$125 per hour based on substantially similar rates for development work already

completed by contractors on the driver and vehicle systems.

Technology FAST:

Assumes 24 hours of programming and testing is required for changes to record applicant status so fees are waived for specific transactions and not on others. Current system does not allow waiving of application fees.

Expenditure and/or Revenue Formula

Expenditure Formulas

FY2020

Special Revenue Fund

DVS Technology account:

MNLARS programming costs 4,629 hours x \$125/hour = \$578,625 one-time cost

FAST programming costs 24 hours x \$200/hour = \$4,800

Revenue Formulas

FY 2020

Special Revenue Fund

Vehicle Services account:

Title Fee-new/used vehicles/RV's 1,557 transactions x \$4.15 x 50% (Jan-June) = (\$3,231)

Registration filing fee-vehicles/RV's 7,013 renewals x 20% processed by DVS x \$4.50 x 50% (Jan-June) = (\$3,156)

All other vehicle transactions filing fee - 1,557 transactions x 20% processed by DVS x \$5.00 x 50% (Jan-June) = (\$779)

Plate fees-new/used vehicles/RV 1,557 plates x \$6.00 x 50% (Jan-June) = (\$4,671)

Plate fees 7-year replacement-vehicles/RV's 7,013 plates x 14.3% replacement rate x \$6.00 x 50% (Jan-June) = (\$3,009)

Public Safety Motor Vehicle fund:

PSV title fee 1,557 transactions x \$3.50 x 50% (Jan-June) = (\$2,725)

Driver Services account:

Driver Licenses class D - 2,055 renewals x \$17.25 x 50% (Jan-June) = (\$17,724)

Driver Licenses class D filing fee - 2,055 renewals x 26% processed by DVS x \$8.00 x 50% (Jan-June) = (\$2,137)

Enhanced Driver Licenses - 2,055 renewals x \$15.00 x 50% (Jan-June) = (\$15,413)

DVS Technology account:

Registration filing fee-vehicles/RV's - 7,013 transactions x 20% processed by DVS x \$1.50 x 50% (Jan-June) = (\$1,052)

All other vehicle transactions filing fee 1,557 transactions x 20% processed by DVS x \$1.50 x 50% (Jan-June) = (\$234)

Total Special Revenue Fund FY 2020 (\$54,131)

General Fund

Title Fee-new/used vehicles/RV's 1,557 transactions x \$4.10 x 50% (Jan-June) = (\$3,192)

All other vehicle transactions filing fee - 1,557 transactions x 20% processed by DVS x \$3.50 x 50% (Jan-June) = (\$545)

Two-wheeled vehicle endorsements 329 renewals x \$6.00 x 50% (Jan-June) = (\$987)

Motorcycle Safety account:

Two-wheeled vehicle endorsement - 329 renewals x \$7.00 x 50% (Jan-June) = (\$1,152)

Total General Fund FY 2020 - (\$5,876)

FY 2021 & beyond

Special Revenue Fund

Vehicle Services account:

Title Fee-new/used vehicles/RV's 1,557 transactions x \$4.15 = (\$6,462)

Registration filing fee-vehicles/RV's 7,013 renewals x 20% processed by DVS x \$4.50 = (\$6,312)

All other vehicle transactions filing fee - 1,557 transactions x 20% processed by DVS x \$5.00 = (\$1,557)

Plate fees-new/used vehicles/RV 1,557 plates x \$6.00 = (\$9,342)

Plate fees 7-year replacement-vehicles/RV's 7,013 plates x 14.3% replacement rate x \$6.00 = (\$6,017)

Public Safety Motor Vehicle fund:

PSV title fee 1,557 transactions x \$3.50 = (\$5,450)

Driver Services account:

Driver Licenses class D - 2,055 renewals x \$17.25 = (\$35,449)

Driver Licenses class D filing fee 2,055 renewals x 26% processed by DVS x \$8.00 = (\$4,274)

Enhanced Driver Licenses - 2,055 renewals x \$15.00 = (\$30,825)

DVS Technology account:

Registration filing fee-vehicles/RV's - 7,013 transactions x 20% processed by DVS x \$1.50 = (\$2,104)

All other vehicle transactions filing fee 1,557 transactions x 20% processed by DVS x \$1.50 = (\$467)

Total Special Revenue FY 2021 & beyond (\$108,259) each year

General Fund

Title Fee-new/used vehicles/RV's 1,557 transactions x \$4.10 = (\$6,384)

All other vehicle transactions filing fee - 1,557 transactions x 20% processed by DVS x \$3.50 = (\$1,090)

Two-wheeled vehicle endorsements 329 renewals x \$6.00 = (\$1,974)

Motorcycle Safety account:

Two-wheeled vehicle endorsement - 329 renewals x \$7.00 = (\$2,303)

Total General Fund FY 2020 - (\$11,751) each year

Long-Term Fiscal Considerations

Local Fiscal Impact

FY 2020

Counties that impose wheelage tax:

Wheelage-passenger vehicles - 8,220 registrations x varying rates x 50% (Jan-June) = (\$34,475)

Deputy Registrars (calculation includes both local government and private entities):

Registration filing fee-vehicles/RV - 7,013 transactions x 80% processed x \$6.00 x 50% (Jan-June) = (\$16,831)

All other vehicle transactions filing fee -1,557 transactions x 80% processed x \$10.00 x 50% (Jan-June) = (\$6,228)

Driver License Agents (calculation includes both local government and private entities):

Driver Licenses-class D filing fee - 2,055 transactions x 74% processed x \$8.00 x 50% (Jan-June) = (\$6,083)

FY 2021 & beyond

Counties that impose wheelage tax:

Wheelage-passenger vehicles 8,220 registrations x varying rates = (\$68,950) each year

Deputy Registrars (calculation includes both local government and private entities):

Registration filing fee-vehicles/RV - 7,013 transactions x 80% processed x \$6.00 = (\$33,662) each year

All other vehicle transactions filing fee -1,557 transactions x 80% processed x \$10.00 = (\$12,456)

Driver License Agents (calculation includes both local government and private entities):

Driver Licenses-class D filing fee - 2,055 transactions x 74% processed x \$8.00 = (\$12,166) each year

References/Sources

Agency Contact: Dawn Olson (651-201-7580)

Agency Fiscal Note Coordinator Signature: Larry Freund

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Date: 2/28/2019 11:31:38 AM

Email: Larry.Freund@state.mn.us

HF731 - 0 - "Tax Exempt Disabled Veteran; MV Watercraft"

Chief Author: **Jeff Brand**
 Committee: **Environment & Natural Resources Finance Division**
 Date Completed: **02/28/2019**
 Agency: **Natural Resources 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
General Fund	-	4	4	4	4
Water Recreation	-	58	23	23	23
Invasive Species	-	3	3	3	3
Natural Resource Misc. Statutory	-	1	1	1	1
Total	-	66	31	31	31
Biennial Total			97		62

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
Water Recreation	-	-	-	-	-
Invasive Species	-	-	-	-	-
Natural Resource Misc. Statutory	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Sean Fahnhorst Date: 2/15/2019 11:09:26 AM
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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 Dollars in Thousands	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	4	4	4	4
Water Recreation	-	58	23	23	23
Invasive Species	-	3	3	3	3
Natural Resource Misc. Statutory	-	1	1	1	1
Total	-	66	31	31	31
Biennial Total			97		62
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	-	-	-
Water Recreation	-	35	-	-	-
Invasive Species	-	-	-	-	-
Natural Resource Misc. Statutory	-	-	-	-	-
Total	-	35	-	-	-
Biennial Total			35		-
2 - Revenues, Transfers In*					
General Fund	-	(4)	(4)	(4)	(4)
Water Recreation	-	(23)	(23)	(23)	(23)
Invasive Species	-	(3)	(3)	(3)	(3)
Natural Resource Misc. Statutory	-	(1)	(1)	(1)	(1)
Total	-	(31)	(31)	(31)	(31)
Biennial Total			(62)		(62)

Bill Description

This bill will require the Department of Natural Resources (DNR) to provide free of charge watercraft licenses for a watercraft owned by a veteran with a total service-connected disability.

It also does not allow the DNR to assess the surcharges for aquatic invasive species control or electronic license system on these watercraft.

For purposes of this bill, they define a veteran with a total service-connected disability as someone who provides evidence that they have received such a rating by the US Veterans Administration or one of the branches of the armed forces retirement board.

The effective day of this bill will be January 2020.

Assumptions

Assumes there are 96,822 veterans receiving disability compensation in Minnesota. (Source: National Center for Veterans Analysis FY2017)

Assumes that 8.49% of veterans in Minnesota have a total service-connected disability" = 8,220 (Source: VA.gov Quick Facts report on compensation and pension)

The adult population in Minnesota is 4,318,311. (Source: MN Demographers Office Projections for 2018)

There are currently 819,988 registered boats for 2018. This means that approximately 19% of Minnesotans own a boat. (819,988/4,318,311)

Assumes that the likelihood of boat ownership for veterans with a total service is the same as boat ownership for the entire population. This equates to 1,562 individuals. (8,220 x 19%)

Since boat registrations occurs once every three years, we assume a loss of revenue of 521 boats per year.

We assume an average boat registration fee of \$45, of which \$1.50 is deposited into a statutory account for electronic licensing costs.

The DNR requires proof that that individuals paid sales tax before registering watercraft. When individuals lack proof or paid a lower tax rate in another state, we collect it the sales tax and deposit it in the general fund. In 2015, we collected \$2 million in tax revenue. We assume we would not collect 0.2% of this revenue equaling \$4,000 of lost revenue. (\$2,000,000 x 0.002=\$4,000)

Expenditure and/or Revenue Formula

Fiscal Estimate for Watercraft Registrations:

Fee Structure (3 years)	Fee	High Estimate (521)
Average Watercraft License	43.50	-\$22,664
AIS Surcharge	5.00	-\$2,605
ELS Fee	1.50	-\$782
Total		\$26,051
One time ELS Program fee		\$35,000
Taxes not collected		-\$4,000
Grand total		\$65,051

Long-Term Fiscal Considerations

The Department after the first year will continue to lose revenues. We generally expect sales to grow some or stay consistent, so the ongoing impact on the Water Recreation Account will be at least \$23,000 each year and \$3,000 to the Aquatic Invasive Species Account.

Local Fiscal Impact

Deputy registrars are able to charge a fee of \$4.50 for renewals or duplicates and \$7.00 for new title and registration watercraft licenses. This bill would not allow them to do that. The amount of revenue lost to these local units of government is unknown.

References/Sources

VA.Gov, Quick facts, Compensation and Pension Report 2017

MN State Demographer's Office, 2018 Population projections

DNR ELS reports

Agency Contact: Phil Leversedge

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HF731 - 0 - "Tax Exempt Disabled Veteran; MV Watercraft"

Chief Author: **Jeff Brand**
 Committee: **Environment & Natural Resources Finance Division**
 Date Completed: **02/28/2019**
 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	FY2019	FY2020	FY2021	FY2022	FY2023
Total	-	-	-	-	-	-
Biennial Total			-			-

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

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

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

Bill Description

The bill provides for the following:

- mandates that the commissioner of the DNR shall issue a watercraft licenses and titles without imposing any fees under Chapter 86B for watercraft owned by a veteran with a total service-connected disability;
- exempts vehicles registered by a veteran with a total service-connected disability from county wheelage taxes, registration taxes, and certain related fees;
- exempts veterans with total service-connected disabilities from title transfer fees;
- defines “veteran with a total service-connected disability”;
- exempts veterans with total service-connected disabilities from additional license fees administered by the Department of Public Safety;
- exempts watercraft purchased by veterans with total service-connected disabilities from sales tax; and
- exempts motor vehicles purchased by veterans with total service-connected disabilities from taxes administered in M.S. 297B.

Assumptions

DOR will create/update tax forms, instructions, schedules, fact sheets, web content and outreach materials to reflect the changes in this bill.

DOR will engage in outreach and communication to inform taxpayers about the changes in this bill. For example, DOR will issue email and social media bulletins, and include information about the changes in press releases, conference calls, and other materials about new tax law changes.

DOR will mail or email letters to taxpayers affected by the law change. The letters will notify them of the change and provide related information about what the change means for them. Letters or GovDelivery emails will be sent to auto dealers and boat dealers. All 4,869 taxpayers with NAICS codes 441110 (New Car Dealers), 441120 (Used Car Dealers), 441229 (All Other Motor Vehicle Dealers), and 441222 (Boat Dealers) will receive the letter. The letter will explain the new

exemption, and what records the dealer can accept in order to allow the exemption.

DOR will update employee instructional and training materials.

This impact will be minimal and DOR does not anticipate incurring administrative costs or savings as a result of this bill.

Expenditure and/or Revenue Formula

This bill will have an impact on state tax revenues. However, an estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before the Tax Committee and will provide one for this bill when it is before the Tax Committee.

Long-Term Fiscal Considerations

The exemptions in the bill will reduce sales and use tax revenue.

Local Fiscal Impact

The exemption in the bill will reduce sales and use tax revenue for local governments that impose a general local sales and use tax.

References/Sources

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Date: 2/14/2019 11:03:44 AM

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HF731 - 0 - "Tax Exempt Disabled Veteran; MV Watercraft"

Chief Author: **Jeff Brand**
 Committee: **Environment & Natural Resources Finance Division**
 Date Completed: **02/28/2019**
 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	FY2019	FY2020	FY2021	FY2022	FY2023
Total	-	-	-	-	-	-
Biennial Total				-		-

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

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Laura Logsdon Date: 2/25/2019 12:45:58 PM
 Phone: 651 201-8020 Email: laura.logsdon@state.mn.us

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	
		FY2019	FY2020	FY2021	FY2022	FY2023
Dollars in Thousands						
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

House file 731 would exempt disabled veterans from taxes and fees for watercraft, certain registration taxes, license plates fees, title fees, driver's license and identification card fees, and motor vehicle sales taxes. These exemptions would include motor vehicle registration taxes that are deposited in the Highway User Tax Distribution (HUTD) Fund and motor vehicle sales taxes (MVST) that are deposited in the HUTD Fund and the Transit Assistance Fund (TAF). These exemptions would be effective for sales and purchases made after June 30, 2019 or January 1, 2020, depending on the statute impacted.

Assumptions

The Department of Revenue (DOR) has a standard practice of not estimating the revenue impacts of bills until they reach the Tax Committee. Two provisions would reduce motor vehicle registration taxes (section 4, subdivision 13.1) and MVST (section 9).

Per the Minnesota State Constitution, Article XIV and Minnesota Statutes 297B.09, 60% of MVST revenues are deposited in the HUTD Fund and 40% are deposited in the Transit Assistance Fund (TAF). From there, HUTD revenues are allocated to the Trunk Highway (TH), County State Aid Highway (CSAH), and Municipal State Aid Street (MSAS) Funds. The TAF amounts are allocated to the metropolitan area transit account (managed by Metropolitan Council) and the greater Minnesota transit account (managed by MnDOT).

Per the Minnesota State Constitution, Article XIV and Minnesota Statutes 161.081, registration tax revenues are deposited in the HUTD Fund. From there, HUTD revenues are allocated to the Trunk Highway (TH), County State Aid Highway (CSAH), and Municipal State Aid Street (MSAS) Funds.

Overall, the allocations are detailed in the table below:

Fund	Agency	Percentage	Overall Percentage - Registration Taxes	Overall Percentage - MVST
Trunk Highway	MnDOT	62% of 95% (58.9%) of HUTD amounts	58.90%	35.3%
County State Aid Highway	MnDOT	29% of 95% (27.55%), + 5% (32.55%) of HUTD amounts	32.55%	19.5%
Municipal State Aid Street	MnDOT	9% of 95% (8.55%) of HUTD amounts	8.55%	5.1%
Transit Assistance Fund	MnDOT	10% of TAF amounts		4.0%
Transit Assistance Fund	Met Council	90% of TAF amounts		36.0%

Expenditure and/or Revenue Formula

Below is a summary of the funds impacted by the changes above, which will be noted in the Department of Revenue's revenue note. In addition, because the funds in CSAH, MSAS and TAF are statutorily appropriated, any changes in

revenues also correspondingly change expenditures.

Fund	Agency	FY 2020	FY 2021	FY 2022	FY 2023
HUTD	MnDOT	-	-	-	-
TH	MnDOT				
CSAH	MnDOT				
MSAS	MnDOT				
TAF		-	-	-	-
Info: TAF	MnDOT				
Info: TAF	Met Council				

Ultimately, the reduced HUTD revenues will impact the TH, CSAH, and MSAS Funds, and the reduced TAF revenues will impact both MnDOT (greater Minnesota transit) and the Metropolitan Council (Twin Cities Metropolitan transit). The net fiscal impact these two sections for will only show reduced THF revenues, because of the correspondingly changed expenditures in all other funds.

Long-Term Fiscal Considerations

These reduced revenues would continue in future years

Local Fiscal Impact

Local governments would receive less revenue in their CSAH and MSAS funds for transportation purposes.

References/Sources

Minnesota Department of Revenue (DOR)

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