

HOUSE RESEARCH

Bill Summary

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Subject: Auto license tax reduction, transportation trust fund

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Overview

This bill contains three major provisions:

- A reduction in license taxes for passenger automobiles from the present value-based tax to a flat tax of \$35 per car

- Creation of a Minnesota transportation trust fund for highways and transit, consisting of all revenue from the motor vehicle sales tax (MVET). This fund would, after allocations to local governments to provide them with the same revenue that they would have received from current vehicle license taxes, go to paying the state and local match for federally-aided transportation projects. Any remaining money after these matches have been paid would go to the state trunk highway fund and local state-aid funds in the same proportion as current highway user taxes (62 percent trunk highway fund, 29 percent county state-aid fund, and 9 percent municipal state-aid street fund). A constitutional amendment is proposed to make the MVET dedication a constitutional requirement.

- A requirement that future appropriations for the state patrol, now made from the trunk highway fund, be made from the general fund.

1 Auto license tax reduction. Provides for a flat \$35 tax on all passenger automobiles. Under present law passenger autos are taxed at 1.25 percent of base value, with a minimum tax of \$35.

2 Transportation trust fund. Creates a Minnesota transportation trust fund.

Subdivision 1. Fund created. Creates the fund in the state treasury.

Subd. 2. Transportation accounts. Creates a county transportation account and a municipal transportation account. Provides that these accounts receive from the transportation trust fund a percentage equal to the percentage the county state-aid highway fund and municipal state-aid street fund now receive from the highway user tax distribution fund (HUTDF). Allocates to the existing town road and town bridge accounts and the flexible account (an account created in

1998 to fund trunk highway turnbacks to local government) the same percentage they now receive from the HUTDF.

Provides that the percentages these accounts receive will be based on what they would have received from highway user tax revenues if auto license taxes had not been reduced under section 1.

Subd. 3. County transportation account. Creates the county transportation account and requires it to be allocated among the counties according to the same formula that now governs allocation of the county state-aid street fund. Allows counties to spend money received from the county transportation account for matching federal transportation aid and for any other highway or transit purpose.

Subd. 4. Municipal transportation account. Creates the municipal transportation account and requires it to be allocated among cities over 5,000 population according to the same formula that now governs the municipal state-aid street fund. Allows cities to spend money received from the county transportation account for matching federal transportation aid and for any other highway or transit purpose.

Subd. 5. Appropriations. Requires MnDOT to submit with its biennial budget a plan of appropriations from the fund, based on the state transportation plan, the statewide transportation improvement program, and statutory goals for transportation. Requires the recommendations to provide for allocating money to state agencies, local governments, and other entities to provide matching money for federal funds for highways, transit vehicle purchases, transit capital improvements, transportation enhancements, and other projects included in the statewide transportation improvement program.

Subd. 6. Appropriation of fund balance. Provides that any money remaining in the trust fund after appropriations under subdivision 5 will be allocated in the same manner as the highway user tax distribution fund (62 percent state trunk highways, 29 percent county state-aid highways, 9 percent municipal state-aid streets).

- 3 **Motor vehicle sales tax.** Requires all revenues from the motor vehicle sales tax to be deposited in the transportation trust fund.
- 4 **State patrol.** Requires all appropriations to the state patrol, other than commercial motor vehicle inspection and enforcement, to be from the general fund. Presently these appropriations are from the trunk highway fund.
- 5 **Patrol fines.** Provides that the state share of money from fines resulting from tickets written by the state patrol be deposited in the general fund. Presently this money is deposited in the trunk highway fund.
- 6 **Constitutional amendment.** Proposes a constitutional amendment to:

Create a transportation trust fund to be used exclusively for highway and transit purposes.purposes.

Require the commissioner of transportation to make biennial recommendations to the legislature onon appropriations from the fund.

Dedicate all motor vehicle sales tax revenue to the transportation trust fund.fund.

- 7 **Constitutional amendment proposed.** Proposes the constitutional amendment in section 6 at the 2000 general election.
- 8 **Effective date.** Provides the following effective dates:

section 1 (license tax reduction), November 1, 1999, for registration year 2000 and subsequent years.

sections (transportation trust fund), and 4-5 (state patrol appropriations) effective effective July 1, 1999.

section 3 (transportation trust fund) January 1, 2001. ~~2001~~.

Provides that if the constitutional amendment is not approved at the 2000 election, section 1 is repealed on November 15, 2000, the auto license tax rates revert to their previous level on that date and section 3 will not take effect.