

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Brod and others

**Subject:** Motor Vehicle Sales Tax

**Analyst:** Joel Michael, 651-296-5057; Pat Dalton, 651-296-7434

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### Overview

This bill allows motor vehicle dealers to:

- ▶ Obtain certificates of title for vehicles purchased for resale
- ▶ Pay motor vehicle sales tax on certain vehicles on a reasonable rental basis, rather than the purchase price

It also exempts certain dealer loans of vehicles to service and maintenance customers from the sales tax.

### Section

- 1 Registration tax.** Authorizes, but does not require, the motor vehicle registrar to issue certificates of title for dealer vehicles that are exempt from the certificate for title requirements. Present law prohibits the registrar from issuing certificates of title for these exempt vehicles.
- 2 Motor vehicle sales tax; dealer option.** Authorizes a motor vehicle dealer to pay the motor vehicle sales tax based on the reasonable rental value of the vehicle. This option applies only to a vehicle that meets two criteria. The dealer must
  - ▶ Purchase vehicle for resale; and
  - ▶ Not use it for demonstration purposes.

This option clarifies that the dealer can pay the sales tax on the rental value (e.g., for a fixed period of time) while it owns the vehicle, rather than on the full purchase price. If a dealer fails to report the use tax on the rental, it is presumed that the dealer has elected to pay the

**Section**

motor vehicle tax on the entire purchase price.

**3** **Service contract loans and rental vehicles.** Provides a rental of a motor vehicle is subject to the sales tax if:

- ▶ The customer pays a separately stated amount for the rental
- ▶ The dealer receives reimbursement under a service contract provided through a third party, regulated by the Commissioner of Commerce (i.e., not a manufacturer's warranty).

**4** **Loaner vehicles covered by warranty.** Exempts loans of vehicles by a dealer to a customer whose own vehicle is being serviced or maintained from the sales tax if the vehicle is loaned under a warranty contract that was included in the original purchase price (e.g., a manufacturer's warranty, but likely not an extended warranty that the customer purchased separately).