

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1381
Version: As introduced

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Subject: Changes the timing of sales tax payments for certain motor vehicle leases

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Overview

Allows customers to pay the sales tax on certain rent-to-own and lease-to-own used motor vehicles incrementally, with each lease payment. Currently the entire sales tax on the lease of most long term motor vehicles is owed at the start of the lease. For many years the sales tax was owed incrementally at the time of payment for leases of all types of taxable goods. The upfront sales tax payment on most long-term motor vehicle leases began in 2005.

Section

- 1 Retail sale.** Changes the definition of when a retail sales occurs and hence when the sales tax is owed for used motor vehicles leased on a lease-to-own or rent-to-own basis where the lease can be terminated at any time without penalty. Currently the retail tax occurs and the entire tax is owed when the lease is executed. Under the bill the tax will be owed incrementally with each lease payment.

Effective for leases entered into after June 30, 2013.

- 2 Motor vehicle lease sales tax revenue.** Continues to require that a portion of the sales tax revenues collected on rent-to-own and lease-to-own used vehicles be distributed to the greater Minnesota transit account and county state-aid funds, even though the entire tax is no longer collected at the time the lease is executed.