HOUSE RESEARCH

Bill Summary

File Number: H.F. 4437 **Date:** April 25, 2018
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Subject: Auto parts dedication constitutional amendment

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Overview

This bill would submit a constitutional amendment proposal to the voters. The amendment dedicates state general sales tax revenue that is attributable to sale of motor vehicle repair and replacement parts, to go entirely to state and local road systems. Revenue is phased in over fiscal years 2021 to 2025.

Article 1: Constitutional Amendment

Overview

This article contains the constitutional amendment proposal to be submitted to the voters at the 2018 general election.

Section

1 **Constitutional amendment proposed.** If ratified, changes the Minnesota Constitution to dedicate state general sales tax revenue that is attributed as established in law to the sale of motor vehicle repair and replacement parts, to go entirely to roads and bridges starting July 1, 2024. Establishes that the revenue apportionment set in law cannot be changed more frequently than every six years.

2 **Submission to voters.** Directs submission of the constitutional amendment proposal at 2018 general election. Specifies the ballot question and title on the ballot.

Section

<center>**Article 2: Constitutional Amendment Implementation**</center>

Overview

This article contains implementing provisions for the constitutional amendment, which are conditionally effective July 1, 2020, if the amendment is ratified by the voters.

1 **[160.01] Definitions.** Defines terms for a new chapter of statutes, by reference to terms used in a statutory chapter on roads.

2 **[160.10] Distribution of dedicated funds.** Creates a formula for allocation of the revenue being constitutionally dedicated. Revenue is distributed:

> ‣ 4.5 percent to an account for the Small Cities Assistance program; and

> ‣ 95.5 percent to the Highway User Tax Distribution (HUTD) fund.

Directs the portion of revenue that goes to the Trunk Highway fund (via a separate formula for funds in the HUTD fund) to a new construction account being established in the bill.

3 **[160.15] Trunk highway fund.** Creates a new construction account in the Trunk Highway fund, which receives a portion of the constitutionally dedicated revenue. Specifies that funds are only available for construction, reconstruction, and improvement projects on the trunk highway system.

4 **Deposit of revenues.** Provides for estimating and deposit of general sales tax revenue.

> **Subd. 1. Deposits.** Directs monthly deposit of funds based on a share of general sales tax revenue that is estimated as resulting from motor vehicle repair and replacement part sales. (This provision is overridden during a constitutional amendment phase-in established in section 5.)

> **Subd. 2. Motor vehicle repair and replacement parts estimation; legislative report.** Directs the Department of Revenue to perform estimating using federal data and departmental consumption models to identify general sales tax revenue that is attributable to sales and purchases of motor vehicle repair and replacement parts. An estimate is due by February 28, 2021, and in each odd-numbered year after that.

5 **Sales tax dedication phase-in.** Creates a phase-in for the dedicated revenue over fiscal years 2021-2024. Under the phase-in schedule, 60 percent of estimated revenue is distributed to transportation in fiscal year 2021, increasing by 10 percentage points each year to 100 percent dedication starting in fiscal year 2025.

6 **Revisor's instruction.** Directs the Revisor of Statutes to recodify sections of statute relating to transportation funds and accounts into a new chapter.

7 **Effective date.** Makes the article conditionally effective July 1, 2020, on passage of the constitutional amendment proposal.