

**Subject** Motor vehicle registration tax

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## Summary

This bill modifies and clarifies calculation of the motor vehicle registration tax, so that the formula is based on manufacturer's suggested retail price (MSRP) without other cost or price adjustments.

The changes are to:

- increase the tax rate used for newly registered vehicles, from 1.25 to 1.28 percent (which has the effect of offsetting some of the revenue reduction from other changes in the bill);
- base the registration tax calculation only on the MSRP, so that:
  - destination charge is removed from determination of the tax due for newly registered vehicles; and
  - there is no categorization into ranges or brackets of vehicle valuation;
- eliminate a provision that had been interpreted as directing the Department of Public Safety to use the lowest price identified among the trim levels for a given vehicle make and model, when determining the vehicle's value;
- clarify that the MSRP is final once determined at the time of initial tax calculation, and is not revised in future years of vehicle registration;
- clarify that the department has explicit authority to adjust the tax due when it had been calculated incorrectly, with the adjustments going into effect for future registration periods; and
- make technical changes, including to centralize provisions on how the manufacturer's list price information is obtained and to eliminate terminology made obsolete by the bill.

The changes are effective the earlier of January 1, 2021, or implementation of the necessary changes to the information technology system.

The proposal is based on recommendations of the Vehicle Registration Task Force established in 2019 legislation to study vehicle registration and taxation methods.