

Subject Small cities assistance program ongoing funding

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Summary

This bill redirects motor vehicle rental tax revenue to an account for the small cities assistance program, instead of depositing it in the highway user tax distribution fund.

The revenue being reallocated is from a tax on motor vehicle rentals (also referred to as short-term motor vehicle leases), which is imposed at a 9.2 percent rate and is separate from the state general sales tax. The change commences in fiscal year 2022 and is ongoing.

The small cities assistance program provides formula-based road aid for smaller Minnesota cities that do not receive municipal state-aid street (MSAS) funds. Minn. Stat. § 162.145. No funds have been appropriated for the program for fiscal year 2020 or after.