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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 4437

04/18/2018	<p>Authored by Torkelson, Petersburg, Howe and Kresha</p> <p>The bill was read for the first time and referred to the Committee on Transportation Finance</p>
04/30/2018	<p>Adoption of Report: Amended and re-referred to the Committee on Taxes</p> <p>Pursuant to Joint Rule 2.03, re-referred to the Committee on Rules and Legislative Administration</p>

1.1 A bill for an act

1.2 relating to transportation finance; proposing a constitutional amendment to the

1.3 Minnesota Constitution, article XIV, to allocate state general sales tax revenue

1.4 related to motor vehicle repair and replacement parts exclusively to fund roads;

1.5 making conforming and technical changes; amending Minnesota Statutes 2017

1.6 Supplement, section 297A.94; proposing coding for new law as Minnesota Statutes,

1.7 chapter 160A.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 ARTICLE 1

1.10 CONSTITUTIONAL AMENDMENT

1.11 Section 1. **CONSTITUTIONAL AMENDMENT PROPOSED.**

1.12 An amendment to the Minnesota Constitution is proposed to the people. If the amendment
1.13 is adopted, a section shall be added to article XIV, to read:

1.14 Sec. 14. Beginning July 1, 2024, the revenue from the general state sales and use tax
1.15 law that is attributed by law to the sale and purchase of motor vehicle repair and replacement
1.16 parts must be allocated solely to roads and bridges. No change in the apportionment of the
1.17 revenue may be made within six years of the last previous change. Revenue under this
1.18 section does not include revenue from the tax under article XI, section 15.

1.19 **Sec. 2. SUBMISSION TO VOTERS.**

1.20 (a) The proposed amendment under section 1 must be submitted to the people at the
1.21 2018 general election. The question submitted must be:

2.1 "Shall the Minnesota Constitution be amended to increase funding for roads and bridges
 2.2 by dedicating existing sales tax revenue from the sale of motor vehicle parts?

2.3 Yes

2.4 No "

2.5 (b) The title required under Minnesota Statutes, section 204D.15, subdivision 1, for the
 2.6 question submitted to the people under paragraph (a) is "Increase Road and Bridge Funds
 2.7 by Dedicating Existing Sales Taxes on Motor Vehicles."

2.8 **ARTICLE 2**

2.9 **CONSTITUTIONAL AMENDMENT IMPLEMENTATION**

2.10 **Section 1. [160A.01] DEFINITIONS.**

2.11 For the purposes of this chapter, the terms defined in section 160.02 have the same
 2.12 meanings.

2.13 **Sec. 2. [160A.10] DISTRIBUTION OF DEDICATED FUNDS.**

2.14 (a) Revenue under section 297A.94, subdivision 1, paragraph (g), must be allocated as
 2.15 follows:

2.16 (1) 4.5 percent to the small cities assistance account under section 162.145, subdivision
 2.17 2; and

2.18 (2) 95.5 percent to the highway user tax distribution fund.

2.19 (b) The portion of revenue distributed to the trunk highway fund under paragraph (a)
 2.20 must be deposited in the construction account under section 160A.15.

2.21 **Sec. 3. [160A.15] TRUNK HIGHWAY FUND; CONSTRUCTION ACCOUNT.**

2.22 (a) A construction account is established in the trunk highway fund. The account consists
 2.23 of funds deposited under section 160A.10, and any other money donated, allotted, transferred,
 2.24 or otherwise provided to the account.

2.25 (b) Money in the account is available solely for actual trunk highway system construction,
 2.26 reconstruction, and improvement projects, which includes expenditures for design,
 2.27 engineering, environmental analysis, acquisition of property rights, project delivery, and
 2.28 construction.

Sec. 4. Minnesota Statutes 2017 Supplement, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

Subdivision 1. Deposits. (a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit in the state treasury the revenues collected under section 297A.64, subdivision 1, including interest and penalties and minus refunds, and credit them to the highway user tax distribution fund.

(e) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (d), the commissioner shall deposit into the state treasury and

credit to the highway user tax distribution fund an amount equal to the estimated revenues derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The commissioner shall estimate the amount of sales tax revenue deposited under this paragraph based on the amount of revenue deposited under paragraph (d).

(g) ~~Starting after July 1, 2017,~~ The commissioner shall deposit ~~an amount of the remittances~~ monthly into the state treasury ~~and credit them to the highway user tax distribution fund as a portion of the estimated amount of the~~ taxes collected from the sale and purchase of motor vehicle repair and replacement parts in that month, and credit the amounts specified in this paragraph in the manner provided under section 160A.10. For the remittances between July 1, 2017, and June 30, 2019, the monthly deposit amount is \$2,628,000. For remittances in each subsequent fiscal year, the monthly deposit amount is ~~\$12,137,000~~ equal to 1/12 of the most recent percentage estimate for the fiscal year under subdivision 2, multiplied by the total sales tax revenues collected in the previous calendar year. For purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01, subdivision 11, ~~and.~~ For purposes of this section, "motor vehicle repair and replacement parts" includes (i) all parts, tires, accessories, and equipment incorporated into or affixed to the motor vehicle as part of the motor vehicle maintenance and repair, and (ii) paint, oil, and other fluids that remain on or in the motor vehicle as part of the motor vehicle maintenance or repair. For purposes of this paragraph, "tire" means any tire of the type used on highway vehicles, if wholly or partially made of rubber and if marked according to federal regulations for highway use.

(h) 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

5.1 (4) three percent of the receipts must be deposited in the natural resources fund, and
5.2 may be spent only on local trail grants; and

5.3 (5) two percent of the receipts must be deposited in the natural resources fund, and may
5.4 be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
5.5 and the Duluth Zoo.

5.6 (i) The revenue dedicated under paragraph (h) may not be used as a substitute for
5.7 traditional sources of funding for the purposes specified, but the dedicated revenue shall
5.8 supplement traditional sources of funding for those purposes. Land acquired with money
5.9 deposited in the game and fish fund under paragraph (h) must be open to public hunting
5.10 and fishing during the open season, except that in aquatic management areas or on lands
5.11 where angling easements have been acquired, fishing may be prohibited during certain times
5.12 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
5.13 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
5.14 resources under paragraph (h) must be allocated for field operations.

5.15 (j) The commissioner must deposit the revenues, including interest and penalties minus
5.16 any refunds, derived from the sale of items regulated under section 624.20, subdivision 1,
5.17 that may be sold to persons 18 years old or older and that are not prohibited from use by
5.18 the general public under section 624.21, in the state treasury and credit:

5.19 (1) 25 percent to the volunteer fire assistance grant account established under section
5.20 88.068;

5.21 (2) 25 percent to the fire safety account established under section 297I.06, subdivision
5.22 3; and

5.23 (3) the remainder to the general fund.

5.24 For purposes of this paragraph, the percentage of total sales and use tax revenue derived
5.25 from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be
5.26 sold to persons 18 years old or older and are not prohibited from use by the general public
5.27 under section 624.21, is a set percentage of the total sales and use tax revenues collected in
5.28 the state, with the percentage determined under section 39.

5.29 (k) The revenues deposited under paragraphs (a) to (j) do not include the revenues,
5.30 including interest and penalties, generated by the sales tax imposed under section 297A.62,
5.31 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
5.32 article XI, section 15.

6.1 Subd. 2. Motor vehicle repair and replacement parts estimation; legislative report.

6.2 (a) Beginning February 28, 2021, and by February 28 each odd-numbered year or more
6.3 frequently thereafter, the commissioner must estimate the percentage of total sales tax
6.4 revenues, including interest and penalties, collected in the previous calendar year that is
6.5 attributable to sales and purchases of motor vehicle repair and replacement parts, based on
6.6 federal data and department consumption models. Beginning July 1 following a percentage
6.7 estimate revision, the estimate is effective for deposits under subdivision 1, paragraph (g).

6.8 (b) By November 1 in a fiscal year in which a revised estimate becomes effective, the
6.9 commissioner must submit a report on the estimate and estimation methodology to the
6.10 chairs, ranking minority members, and staff of the legislative committees with jurisdiction
6.11 over taxes and transportation policy and finance.

6.12 Sec. 5. SALES TAX DEDICATION PHASE-IN.

6.13 (a) The commissioner of revenue must determine remittance amounts under Minnesota
6.14 Statutes, section 297A.94, subdivision 1, paragraph (g), from July 1, 2020, through June
6.15 30, 2024, as provided in this section, notwithstanding the requirements of that paragraph.

6.16 (b) For the remittances beginning July 1, 2020, the monthly deposit amount is calculated
6.17 as 1/12 of the percentage estimate under paragraph (c) for the fiscal year, multiplied by the
6.18 total sales tax revenues collected in the previous calendar year, multiplied by:

6.19 (1) 60 percent from July 1, 2020, through June 30, 2021;

6.20 (2) 70 percent from July 1, 2021, through June 30, 2022;

6.21 (3) 80 percent from July 1, 2022, through June 30, 2023; and

6.22 (4) 90 percent from July 1, 2023, through June 30, 2024.

6.23 (c) The commissioner must use the most recent of (1) the estimate developed under
6.24 Laws 2017, First Special Session chapter 3, article 3, section 123; or (2) the estimate in
6.25 effect under Minnesota Statutes, section 297A.94, subdivision 2, at the time of the calculation.

6.26 Sec. 6. REVISOR'S INSTRUCTION.

6.27 The revisor of statutes shall recodify Minnesota Statutes, sections 161.04 to 161.085,
6.28 as Minnesota Statutes, chapter 160A. The revisor shall correct any cross-references made
6.29 necessary by this recodification.

7.1 Sec. 7. **EFFECTIVE DATE.**

7.2 This article is effective July 1, 2020, if the constitutional amendment in article 1 is
7.3 ratified.

APPENDIX
Article locations in HF4437-1

ARTICLE 1 CONSTITUTIONAL AMENDMENT..... Page.Ln 1.9
ARTICLE 2 CONSTITUTIONAL AMENDMENT IMPLEMENTATION..... Page.Ln 2.8