

February 28, 2022

| | | |
|----------------------------------|------------|-----------|
| | Yes | No |
| DOR Administrative Costs/Savings | | X |

Department of Revenue
Analysis of S.F. 3086 (Howe) / H.F. 3646 (Swedzinski)

| | Fund Impact | | | |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2022</u> | <u>F.Y. 2023</u> | <u>F.Y. 2024</u> | <u>F.Y. 2025</u> |
| | | | (000's) | |
| General Fund | \$0 | (\$169,000) | (\$179,000) | (\$190,000) |
| Highway User Tax Distribution Fund | \$0 | \$93,000 | \$101,000 | \$110,000 |
| Small Cities Assistance Account | \$0 | \$38,000 | \$39,000 | \$40,000 |
| Town Road Account | \$0 | \$38,000 | \$39,000 | \$40,000 |

Effective July 1, 2022.

EXPLANATION OF THE BILL

Current Law: A portion of the 6.5% sales tax, attributed to the sale and purchase of motor vehicle repair parts, is deposited in the state treasury and credited to the Highway User Tax Distribution fund (HUTDF). The transfer amount is \$12,137,000 per month.

Proposed Law: The bill would allocate the revenues derived from the taxes imposed on the sale and purchase of motor vehicle repair and replacement parts as follows: 76% of the revenue to the HUTDF, 12% to small cities assistance account and 12% to the town road account.

REVENUE ANALYSIS DETAIL

- The Department of Revenue Consumption Tax Model was used to estimate expenditures on motor vehicle repair and replacement parts.
- It is estimated that approximately 4.52% of the General Fund sales tax revenue is attributable to motor vehicle repair and replacement parts.
- The November 2021 general fund sales tax forecast was used.
- The estimate assumes the Department would annually estimate the transfer amount.
- The estimates reflect the difference between the amount transferred under current law and the proposed transfer amounts.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>