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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **4437**

04/18/2018 Authored by Torkelson, Petersburg, Howe and Kresha
The bill was read for the first time and referred to the Committee on Transportation Finance

1.1 A bill for an act
1.2 relating to transportation; governing transportation finance; proposing a
1.3 constitutional amendment to the Minnesota Constitution, article XIV, to allocate
1.4 state general sales tax revenue related to motor vehicle repair and replacement
1.5 parts exclusively to fund roads; amending Minnesota Statutes 2017 Supplement,
1.6 section 297A.94.

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

1.8 ARTICLE 1

1.9 CONSTITUTIONAL AMENDMENT

1.10 Section 1. CONSTITUTIONAL AMENDMENT PROPOSED.

1.11 An amendment to the Minnesota Constitution is proposed to the people. If the amendment
1.12 is adopted, article XIV, section 5, will read:

1.13 Sec. 5. There is hereby created a highway user tax distribution fund to be used solely
1.14 for highway purposes as specified in this article. The fund consists of the proceeds of any
1.15 taxes authorized by sections 9 and 10 of this article, and the revenue specified under section
1.16 14 of this article. The net proceeds of the taxes shall be apportioned: 62 percent to the trunk
1.17 highway fund; 29 percent to the county state-aid highway fund; nine percent to the municipal
1.18 state-aid street fund. Five percent of the net proceeds of the highway user tax distribution
1.19 fund may be set aside and apportioned by law to one or more of the three foregoing funds.
1.20 The balance of the highway user tax distribution fund shall be transferred to the trunk
1.21 highway fund, the county state-aid highway fund, and the municipal state-aid street fund
1.22 in accordance with the percentages set forth in this section. No change in the apportionment
1.23 of the five percent may be made within six years of the last previous change.

2.1 a section shall be added to article XIV, to read:

2.2 Sec. 14. Beginning July 1, 2020, the revenue from the general state sales and use tax
2.3 law that is attributed by law to the sale and purchase of motor vehicle repair and replacement
2.4 parts must be allocated solely to the highway user tax distribution fund. Revenue under this
2.5 section does not include revenue from the tax under article XI, section 15.

2.6 **Sec. 2. SUBMISSION TO VOTERS.**

2.7 (a) The proposed amendment under section 1 must be submitted to the people at the
2.8 2018 general election. The question submitted must be:

2.9 "Shall the Minnesota Constitution be amended to dedicate current sales tax revenue from
2.10 the sale of motor vehicle repair and replacement parts, so that beginning July 1, 2020, all
2.11 of the revenue is used exclusively for roads, including repair of state and local streets,
2.12 highways, and bridges and to match federal highway dollars? This amendment does not
2.13 increase the rate of the current tax.

2.14 Yes
2.15 No "

2.16 (b) The title required under Minnesota Statutes, section 204D.15, subdivision 1, for the
2.17 question submitted to the people under paragraph (a) is "Dedication of current motor vehicle
2.18 fees to road and bridge repair."

2.19 **ARTICLE 2**

2.20 **CONSTITUTIONAL AMENDMENT IMPLEMENTATION**

2.21 Section 1. Minnesota Statutes 2017 Supplement, section 297A.94, is amended to read:

2.22 **297A.94 DEPOSIT OF REVENUES.**

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

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

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

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

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

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

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

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

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

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

3.22 (f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit
3.23 of revenues under paragraph (d), the commissioner shall deposit into the state treasury and
3.24 credit to the highway user tax distribution fund an amount equal to the estimated revenues
3.25 derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or
3.26 rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The
3.27 commissioner shall estimate the amount of sales tax revenue deposited under this paragraph
3.28 based on the amount of revenue deposited under paragraph (d).

3.29 (g) ~~Starting after July 1, 2017,~~ The commissioner shall deposit ~~an amount of the~~
3.30 ~~remittances~~ monthly into the state treasury and credit ~~them~~ to the highway user tax
3.31 distribution fund ~~as a portion of the estimated amount of taxes collected from the sale and~~
3.32 ~~purchase of motor vehicle repair and replacement parts in that month, in the amounts provided~~
3.33 under this paragraph. For the remittances between July 1, 2017, and June 30, 2019, the

4.1 monthly deposit amount is \$2,628,000. For the remittances between July 1, 2019, and June
4.2 30, 2020, the monthly deposit amount is \$16,688,000. For remittances in each subsequent
4.3 fiscal year, the monthly deposit amount is ~~\$12,137,000~~ equal to 1/12 of the most recent
4.4 percentage estimate for the fiscal year under subdivision 2 or Laws 2017, First Special
4.5 Session chapter 3, article 3, section 123, multiplied by the total sales tax revenues collected
4.6 in the previous calendar year. For purposes of this paragraph, "motor vehicle" has the
4.7 meaning given in section 297B.01, subdivision 11, ~~and.~~ For purposes of this section, "motor
4.8 vehicle repair and replacement parts" includes (i) all parts, tires, accessories, and equipment
4.9 incorporated into or affixed to the motor vehicle as part of the motor vehicle maintenance
4.10 and repair, and (ii) paint, oil, and other fluids that remain on or in the motor vehicle as part
4.11 of the motor vehicle maintenance or repair. For purposes of this paragraph, "tire" means
4.12 any tire of the type used on highway vehicles, if wholly or partially made of rubber and if
4.13 marked according to federal regulations for highway use.

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

4.17 (1) 50 percent of the receipts must be deposited in the heritage enhancement account in
4.18 the game and fish fund, and may be spent only on activities that improve, enhance, or protect
4.19 fish and wildlife resources, including conservation, restoration, and enhancement of land,
4.20 water, and other natural resources of the state;

4.21 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
4.22 be spent only for state parks and trails;

4.23 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
4.24 be spent only on metropolitan park and trail grants;

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

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

4.30 (i) The revenue dedicated under paragraph (h) may not be used as a substitute for
4.31 traditional sources of funding for the purposes specified, but the dedicated revenue shall
4.32 supplement traditional sources of funding for those purposes. Land acquired with money
4.33 deposited in the game and fish fund under paragraph (h) must be open to public hunting
4.34 and fishing during the open season, except that in aquatic management areas or on lands

5.1 where angling easements have been acquired, fishing may be prohibited during certain times
 5.2 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
 5.3 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
 5.4 resources under paragraph (h) must be allocated for field operations.

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

5.9 (1) 25 percent to the volunteer fire assistance grant account established under section
 5.10 88.068;

5.11 (2) 25 percent to the fire safety account established under section 297I.06, subdivision
 5.12 3; and

5.13 (3) the remainder to the general fund.

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

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

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

5.24 (a) Beginning June 30, 2023, and by June 30 of every fourth year or more frequently
 5.25 thereafter, the commissioner must estimate the percentage of total sales tax revenues,
 5.26 including interest and penalties, collected in the previous calendar year that is attributable
 5.27 to sales and purchases of motor vehicle repair and replacement parts, based on federal data
 5.28 and department consumption models. Beginning July 1 following a percentage estimate
 5.29 revision, the estimate is effective for deposits under subdivision 1, paragraph (g).

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

6.1 Sec. 2. **EFFECTIVE DATE.**

6.2 This article is effective June 30, 2019, if the constitutional amendment in article 1 is
6.3 ratified.

APPENDIX
Article locations in HF4437-0

ARTICLE 1 CONSTITUTIONAL AMENDMENT..... Page.Ln 1.8
ARTICLE 2 CONSTITUTIONAL AMENDMENT IMPLEMENTATION..... Page.Ln 2.19