

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 1991

03/04/2019 Authored by McDonald, Davids, Torkelson, Swedzinski and Erickson  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to taxation; sales and use; repealing the extra tax on short-term motor  
1.3 vehicle rentals; amending Minnesota Statutes 2018, sections 297A.64, subdivisions  
1.4 2, 3, 4; 297A.94; repealing Minnesota Statutes 2018, section 297A.64, subdivision  
1.5 1.

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

1.7 Section 1. Minnesota Statutes 2018, section 297A.64, subdivision 2, is amended to read:

1.8 Subd. 2. **Fee imposed.** (a) A fee equal to five percent of the sales price is imposed on  
1.9 ~~leases or rentals of vehicles subject to the tax under subdivision 1~~ a lease or rental in this  
1.10 state for not more than 28 days of a passenger automobile as defined in section 168.002,  
1.11 subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as  
1.12 defined in section 168.002, subdivision 26. The lessor on the invoice to the customer may  
1.13 designate the fee as "a fee imposed by the State of Minnesota for the registration of rental  
1.14 cars."

1.15 (b) The provisions of this subdivision do not apply to the vehicles of a nonprofit  
1.16 corporation or similar entity, consisting of individual or group members who pay the  
1.17 organization for the use of a motor vehicle, if the organization:

1.18 (1) owns or leases a fleet of vehicles of the type subject to the tax under subdivision 1  
1.19 that are available to its members for use, priced on the basis of intervals of one hour or less;

1.20 (2) parks its vehicles at unstaffed, self-service locations that are accessible at any time  
1.21 of the day;

1.22 (3) maintains its vehicles, insures its vehicles on behalf of its members, and purchases  
1.23 fuel for its fleet; and

2.1 (4) does not charge usage rates that decline on a per unit basis, whether specified based  
2.2 on distance or time.

2.3 **EFFECTIVE DATE.** This section is effective for leases and rentals entered into after  
2.4 June 30, 2019.

2.5 Sec. 2. Minnesota Statutes 2018, section 297A.64, subdivision 3, is amended to read:

2.6 Subd. 3. **Administration.** ~~The retailer shall report and pay the tax imposed in subdivision~~  
2.7 ~~1 to the commissioner of revenue with the taxes imposed in this chapter. The tax imposed~~  
2.8 ~~in subdivision 1 and the fee imposed in subdivision 2 are~~ is subject to the same interest,  
2.9 penalty, and other provisions provided for sales and use taxes under this chapter and chapter  
2.10 289A. The audit, assessment, appeal, collection, enforcement, and administrative provisions  
2.11 of this chapter and chapters 270C and 289A, that apply to sales and use taxes, apply to the  
2.12 ~~tax and fee.~~

2.13 **EFFECTIVE DATE.** This section is effective for leases and rentals entered into after  
2.14 June 30, 2019.

2.15 Sec. 3. Minnesota Statutes 2018, section 297A.64, subdivision 4, is amended to read:

2.16 Subd. 4. **Exemptions.** (a) ~~The tax and the fee imposed by this section ~~do~~ does not apply~~  
2.17 ~~to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi service;~~  
2.18 ~~(2) a hearse or limousine used in connection with a burial or funeral service; or (3) a van~~  
2.19 ~~designed or adapted primarily for transporting property rather than passengers. The tax and~~  
2.20 ~~the fee imposed under this section ~~do~~ does not apply when the lease or rental of a vehicle~~  
2.21 ~~is exempt from the tax imposed under section 297A.62, subdivision 1.~~

2.22 (b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the previous  
2.23 calendar year the lessor had no more than 20 vehicles available for lease that would have  
2.24 been subject to tax under this section, or no more than \$50,000 in gross receipts that would  
2.25 have been subject to tax under this section.

2.26 **EFFECTIVE DATE.** This section is effective for leases and rentals entered into after  
2.27 June 30, 2019.

3.1 Sec. 4. Minnesota Statutes 2018, section 297A.94, is amended to read:

3.2 **297A.94 DEPOSIT OF REVENUES.**

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

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

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

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

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

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

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

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

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

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

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

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

4.6 ~~(g)~~ (f) Starting after July 1, 2017, the commissioner shall deposit an amount of the  
 4.7 remittances monthly into the state treasury and credit them to the highway user tax  
 4.8 distribution fund as a portion of the estimated amount of taxes collected from the sale and  
 4.9 purchase of motor vehicle repair parts in that month. For the remittances between July 1,  
 4.10 2017, and June 30, 2019, the monthly deposit amount is \$2,628,000. For remittances in  
 4.11 each subsequent fiscal year, the monthly deposit amount is \$12,137,000. For purposes of  
 4.12 this paragraph, "motor vehicle" has the meaning given in section 297B.01, subdivision 11,  
 4.13 and "motor vehicle repair and replacement parts" includes (i) all parts, tires, accessories,  
 4.14 and equipment incorporated into or affixed to the motor vehicle as part of the motor vehicle  
 4.15 maintenance and repair, and (ii) paint, oil, and other fluids that remain on or in the motor  
 4.16 vehicle as part of the motor vehicle maintenance or repair. For purposes of this paragraph,  
 4.17 "tire" means any tire of the type used on highway vehicles, if wholly or partially made of  
 4.18 rubber and if marked according to federal regulations for highway use.

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

4.22 (1) 50 percent of the receipts must be deposited in the heritage enhancement account in  
 4.23 the game and fish fund, and may be spent only on activities that improve, enhance, or protect  
 4.24 fish and wildlife resources, including conservation, restoration, and enhancement of land,  
 4.25 water, and other natural resources of the state;

4.26 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may  
 4.27 be spent only for state parks and trails;

4.28 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may  
 4.29 be spent only on metropolitan park and trail grants;

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

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

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

5.10 ~~(i)~~ (i) The commissioner must deposit the revenues, including interest and penalties  
 5.11 minus any refunds, derived from the sale of items regulated under section 624.20, subdivision  
 5.12 1, that may be sold to persons 18 years old or older and that are not prohibited from use by  
 5.13 the general public under section 624.21, in the state treasury and credit:

5.14 (1) 25 percent to the volunteer fire assistance grant account established under section  
 5.15 88.068;

5.16 (2) 25 percent to the fire safety account established under section 297I.06, subdivision  
 5.17 3; and

5.18 (3) the remainder to the general fund.

5.19 For purposes of this paragraph, the percentage of total sales and use tax revenue derived  
 5.20 from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be  
 5.21 sold to persons 18 years old or older and are not prohibited from use by the general public  
 5.22 under section 624.21, is a set percentage of the total sales and use tax revenues collected in  
 5.23 the state, with the percentage determined under Laws 2017, First Special Session chapter  
 5.24 1, article 3, section 39.

5.25 ~~(j)~~ (j) The revenues deposited under paragraphs (a) to ~~(i)~~ (i) do not include the revenues,  
 5.26 including interest and penalties, generated by the sales tax imposed under section 297A.62,  
 5.27 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,  
 5.28 article XI, section 15.

5.29 **EFFECTIVE DATE.** This section is effective July 1, 2019.

5.30 Sec. 5. **REPEALER.**

5.31 **Minnesota Statutes 2018, section 297A.64, subdivision 1, is repealed.**

5.32 **EFFECTIVE DATE.** This section is effective July 1, 2019.

**297A.64 RENTAL MOTOR VEHICLE TAX IMPOSED; RATE.**

Subdivision 1. **Tax imposed.** A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.002, subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as defined in section 168.002, subdivision 26. The rate of tax is 9.2 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.