

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 2439

(SENATE AUTHORS: NEWMAN)

DATE
05/22/2017

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Introduction and first reading
Referred to Transportation Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to transportation; governing transportation finance; proposing an
1.3 amendment to the Minnesota Constitution, article XIV, section 5, and by adding
1.4 sections to article XIV; allocating certain state tax revenue related to motor vehicle
1.5 repair or maintenance and rental cars exclusively to fund roads; amending
1.6 Minnesota Statutes 2016, section 297A.94.

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

1.8 **ARTICLE 1**

1.9 **CONSTITUTIONAL AMENDMENT PROPOSED**

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 sections
1.16 14 and 15 of this article. The net proceeds of the taxes shall be apportioned: 62 percent to
1.17 the trunk highway fund; 29 percent to the county state-aid highway fund; nine percent to
1.18 the municipal state-aid street fund. Five percent of the net proceeds of the highway user tax
1.19 distribution fund may be set aside and apportioned by law to one or more of the three
1.20 foregoing funds. The balance of the highway user tax distribution fund shall be transferred
1.21 to the trunk highway fund, the county state-aid highway fund, and the municipal state-aid
1.22 street fund in accordance with the percentages set forth in this section. No change in the
1.23 apportionment of the five percent may be made within six years of the last previous change.

2.1 Two sections shall be added to article XIV, to read:

2.2 Sec. 14. Beginning with the fiscal year starting July 1, 2019, 100 percent of the revenue
2.3 from a sales and use tax imposed by the state on the repair or maintenance of a motor vehicle,
2.4 including on the sale of motor vehicle parts and tires, must be allocated solely to the highway
2.5 user tax distribution fund. The revenue under this section does not include the amount
2.6 provided under article XI, section 15.

2.7 Sec. 15. Beginning with the fiscal year starting July 1, 2019, 100 percent of the revenue
2.8 from a tax imposed by the state on the lease or rental of a motor vehicle must be allocated
2.9 solely to the highway user tax distribution fund. Beginning with the fiscal year starting July
2.10 1, 2019, 100 percent of the revenue from a sales and use tax imposed by the state on the
2.11 lease or rental of a motor vehicle must be allocated solely to the highway user tax distribution
2.12 fund.

2.13 **Sec. 2. SUBMISSION TO VOTERS.**

2.14 The proposed amendment under section 1 must be submitted to the people at the 2018
2.15 general election. The question submitted must be:

2.16 "Shall the Minnesota Constitution be amended to dedicate revenue from any state taxes
2.17 on the repair or maintenance of motor vehicles and any state taxes on the rental or lease of
2.18 motor vehicles exclusively to roads, including state and local streets, highways, and bridges,
2.19 effective July 1, 2019?

2.20 Yes
2.21 No "

2.22 **Sec. 3. EFFECTIVE DATE.**

2.23 If the constitutional amendment in this article is adopted, the constitutional provision in
2.24 section 1 is effective July 1, 2019.

2.25 **ARTICLE 2**

2.26 **CONSTITUTIONAL AMENDMENT IMPLEMENTATION**

2.27 Section 1. Minnesota Statutes 2016, section 297A.94, is amended to read:

2.28 **297A.94 DEPOSIT OF REVENUES.**

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

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

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

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

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

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

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

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

3.20 (d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit
3.21 into the state treasury the revenues collected under section 297A.64, subdivision 1, and
3.22 credit them to the highway user tax distribution fund.

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

3.28 ~~(e)~~ (f) Starting after July 1, 2017, the commissioner shall deposit an amount of the
3.29 remittances monthly into the state treasury and credit them to the highway user tax
3.30 distribution fund, as a portion of the estimated amount of taxes collected from the sale and
3.31 purchase of motor vehicle repair parts in that month. For the remittances between July 1,
3.32 2017, and June 30, 2018, the monthly deposit amount is \$12,350,000. For remittances in
3.33 each subsequent fiscal year, the monthly deposit amount is 1/12 of the product of (1) 60

4.1 percent of the estimated percentage of sales tax attributable to the sale and purchase of
4.2 motor vehicle parts calculated under this paragraph, and (2) the total sales tax revenues for
4.3 the calendar year ending before the start of that fiscal year. By July 1, 2018, and June 30
4.4 of every second year thereafter, the commissioner shall estimate the percent of total sales
4.5 tax revenues collected in the previous calendar year that is attributable to sales and purchases
4.6 of motor vehicle parts based on federal data and department consumption models. For
4.7 purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01,
4.8 subdivision 11, and "motor vehicle repair and replacement parts" includes (1) all parts, tires,
4.9 accessories, and equipment incorporated into or affixed to the motor vehicle as part of the
4.10 motor vehicle maintenance or repair, and (2) paint, oil, and other fluids that remain on or
4.11 in the motor vehicle as part of the motor vehicle maintenance or repair.

4.12 (g) Starting after July 1, 2017, the commissioner shall deposit an amount of the
4.13 remittances monthly into the state treasury and credit them to the highway user tax
4.14 distribution fund as a portion of the estimated amount of taxes collected from the sale and
4.15 purchase of motor vehicle repair parts in that month. The monthly deposit amount is 1/12
4.16 of the product of:

4.17 (1) ... percent of the estimated percentage of sales tax attributable to the sale and purchase
4.18 of motor vehicle parts calculated under this paragraph; and

4.19 (2) ... percent of the total sales tax revenues for the calendar year ending before the start
4.20 of that fiscal year.

4.21 For purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01,
4.22 subdivision 11, and "motor vehicle repair and replacement parts" includes: (i) all parts, tires,
4.23 accessories, and equipment incorporated into or affixed to the motor vehicle as part of the
4.24 motor vehicle maintenance and repair; and (ii) paint, oil, and other fluids that remain on or
4.25 in the motor vehicle as part of the motor vehicle maintenance or repair.

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

4.29 (1) 50 percent of the receipts must be deposited in the heritage enhancement account in
4.30 the game and fish fund, and may be spent only on activities that improve, enhance, or protect
4.31 fish and wildlife resources, including conservation, restoration, and enhancement of land,
4.32 water, and other natural resources of the state;

4.33 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
4.34 be spent only for state parks and trails;

5.1 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
5.2 be spent only on metropolitan park and trail grants;

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

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

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

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

5.21 **EFFECTIVE DATE.** This section is effective July 1, 2017.

APPENDIX
Article locations in SF2439-0

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