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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 304

02/10/2025 Authored by Joy, Davis, Knudsen and Schultz
The bill was read for the first time and referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act
1.2 relating to transportation; taxes; repealing indexed increases to the motor fuels
1.3 tax; amending Minnesota Statutes 2024, sections 296A.07, subdivision 3; 296A.08,
1.4 subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2024, section 296A.07, subdivision 3, is amended to read:

1.7 Subd. 3. Rate of tax. (a) Subject to paragraph (b), The gasoline excise tax is imposed
1.8 at the following rates:

- 1.9 (1) E85 is taxed at the rate of 17.75 cents per gallon;
1.10 (2) M85 is taxed at the rate of 14.25 cents per gallon; and
1.11 (3) all other gasoline is taxed at the rate of 25 cents per gallon.

1.12 (b) Annually on August 1, the commissioner must determine the tax rate applicable to
1.13 the sale of E85, M85, and all other gasoline subject to tax under this section for the upcoming
1.14 12-month period beginning on January 1. The adjusted rate must equal the current rate,
1.15 multiplied by one plus the percentage increase, if any, in the Minnesota Highway
1.16 Construction Cost Index for the reference year. The tax rate must be rounded to the nearest
1.17 tenth of a cent. Each of the tax rates for E85, M85, and all other gasoline must not be lower
1.18 than the respective rates specified in paragraph (a). Beginning with the calculation on August
1.19 1, 2025, the percentage change in each of the tax rates for E85, M85, and all other gasoline
1.20 as a result of the requirements under this paragraph must not exceed three percent.

1.21 (c) For purposes of this subdivision:

2.1 ~~(1) the Minnesota Highway Construction Cost Index is as determined by the~~
 2.2 ~~commissioner of transportation; and~~

2.3 ~~(2) "reference year" means the 12-month period ending on June 30 two years prior to~~
 2.4 ~~the year in which the calculation is made.~~

2.5 **EFFECTIVE DATE.** This section is effective July 1, 2025.

2.6 Sec. 2. Minnesota Statutes 2024, section 296A.08, subdivision 2, is amended to read:

2.7 Subd. 2. **Rate of tax.** (a) ~~Subject to paragraph (b),~~ The special fuel excise tax is imposed
 2.8 at the following rates:

2.9 (1) liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon;

2.10 (2) liquefied natural gas is taxed at the rate of 15 cents per gallon;

2.11 (3) compressed natural gas is taxed at the rate of \$1.974 per thousand cubic feet or 25
 2.12 cents per gasoline equivalent; and

2.13 (4) all other special fuel is taxed at the same rate as the gasoline excise tax as specified
 2.14 in section 296A.07, subdivision 2.

2.15 ~~(b) Annually on August 1, the commissioner must determine the tax rate applicable to~~
 2.16 ~~the sale of E85, M85, and all other gasoline subject to tax under this section for the upcoming~~
 2.17 ~~12-month period beginning on January 1. The rate must be adjusted as provided in section~~
 2.18 ~~296A.07, subdivision 3, paragraph (b). The tax rate must be rounded to the nearest tenth of~~
 2.19 ~~a cent. Each of the tax rates for liquefied natural gas or propane, liquefied natural gas,~~
 2.20 ~~compressed natural gas, and all other special fuel must not be lower than the respective~~
 2.21 ~~rates specified in paragraph (a).~~

2.22 ~~(e)~~ (b) The tax is payable in the form and manner prescribed by the commissioner.

2.23 ~~(d)~~ (c) For purposes of this subdivision, "gasoline equivalent," as defined by the National
 2.24 Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.

2.25 **EFFECTIVE DATE.** This section is effective July 1, 2025.

2.26 Sec. 3. **GENERAL FUND TRANSFERS.**

2.27 (a) By July 31, 2025, the commissioner of management and budget must consult with
 2.28 the commissioner of transportation to determine the revenue reduction resulting from this
 2.29 act to the highway user tax distribution fund. The determination must be made for each of
 2.30 fiscal years 2026 and 2027 based on the most recent revenue estimates.

3.1 (b) By July 31, 2025, the commissioner of management and budget must transfer the
3.2 amount as determined in paragraph (a) for fiscal year 2026 from the general fund to the
3.3 highway user tax distribution fund.

3.4 (c) By July 31, 2026, the commissioner of management and budget must transfer the
3.5 amount as determined in paragraph (a) for fiscal year 2027 from the general fund to the
3.6 highway user tax distribution fund.

3.7 **EFFECTIVE DATE.** This section is effective July 1, 2025.