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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. **4858**

1.1 A bill for an act

1.2 relating to transportation; amending and repealing certain transportation-related

1.3 taxes; amending Minnesota Statutes 2023 Supplement, sections 168.013,

1.4 subdivision 1a; 296A.07, subdivision 3; 296A.08, subdivision 2; 297A.99,

1.5 subdivision 1; 297B.02, subdivision 1; 297B.09, subdivision 1; 473.4051,

1.6 subdivisions 2, 2a; repealing Minnesota Statutes 2023 Supplement, sections

1.7 297A.9915; 473.4465.

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

1.9 Section 1. Minnesota Statutes 2023 Supplement, section 168.013, subdivision 1a, is

1.10 amended to read:

1.11 Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as defined in

1.12 section 168.002, subdivision 24, and hearses, except as otherwise provided, the registration

1.13 tax is calculated as \$10 plus:

1.14 (1) for a vehicle initially registered in Minnesota prior to November 16, 2020, ~~4.54~~ 1.25

1.15 percent of the manufacturer's suggested retail price of the vehicle and the destination charge,

1.16 subject to the adjustments in paragraphs (e) and (f); or

1.17 (2) for a vehicle initially registered in Minnesota on or after November 16, 2020, ~~4.575~~

1.18 1.285 percent of the manufacturer's suggested retail price of the vehicle, subject to the

1.19 adjustments in paragraphs (e) and (f).

1.20 (b) The registration tax calculation must not include the cost of each accessory or item

1.21 of optional equipment separately added to the vehicle and the manufacturer's suggested

1.22 retail price. The registration tax calculation must not include a destination charge, except

1.23 for a vehicle previously registered in Minnesota prior to November 16, 2020.

2.1 (c) The registrar must determine the manufacturer's suggested retail price:

2.2 (1) using list price information published by the manufacturer or any nationally
2.3 recognized firm or association compiling such data for the automotive industry;

2.4 (2) if a dealer does not determine the amount, using the retail price label as provided by
2.5 the manufacturer under United States Code, title 15, section 1232; or

2.6 (3) if the retail price label is not available, using the actual sales price of the vehicle.

2.7 If the registrar is unable to ascertain the manufacturer's suggested retail price of any registered
2.8 vehicle in the foregoing manner, the registrar may use any other available source or method.

2.9 (d) The registrar must calculate the registration tax using information available to dealers
2.10 and deputy registrars at the time the initial application for registration is submitted.

2.11 (e) The amount under paragraph (a), clauses (1) and (2), must be calculated based on a
2.12 percentage of the manufacturer's suggested retail price, as follows:

2.13 (1) during the first year of vehicle life, upon 100 percent of the price;

2.14 (2) for the second year, ~~95~~ 90 percent of the price;

2.15 (3) for the third year, ~~90~~ 80 percent of the price;

2.16 (4) for the fourth year, ~~80~~ 70 percent of the price;

2.17 (5) for the fifth year, ~~70~~ 60 percent of the price;

2.18 (6) for the sixth year, ~~60~~ 50 percent of the price;

2.19 (7) for the seventh year, ~~50~~ 40 percent of the price;

2.20 (8) for the eighth year, ~~40~~ 30 percent of the price;

2.21 (9) for the ninth year, ~~25~~ 20 percent of the price; and

2.22 (10) for the tenth year, ten percent of the price.

2.23 (f) For the 11th and each succeeding year, the amount under paragraph (a), clauses (1)
2.24 and (2), must be calculated as ~~\$20~~ \$25.

2.25 (g) Except as provided in subdivision 23, for any vehicle previously registered in
2.26 Minnesota and regardless of prior ownership, the total amount due under this subdivision
2.27 and subdivision 1m must not exceed the smallest total amount previously paid or due on
2.28 the vehicle.

2.29 **EFFECTIVE DATE.** This section is effective the day following final enactment and
2.30 applies to taxes payable for a registration period starting on or after January 1, 2025.

3.1 Sec. 2. Minnesota Statutes 2023 Supplement, section 296A.07, subdivision 3, is amended
3.2 to read:

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

3.5 (1) E85 is taxed at the rate of 17.75 cents per gallon;

3.6 (2) M85 is taxed at the rate of 14.25 cents per gallon; and

3.7 (3) all other gasoline is taxed at the rate of 25 cents per gallon.

3.8 ~~(b) Annually on August 1, the commissioner must determine the tax rate applicable to~~
3.9 ~~the sale of E85, M85, and all other gasoline subject to tax under this section for the upcoming~~
3.10 ~~12-month period beginning on January 1. The adjusted rate must equal the current rate,~~
3.11 ~~multiplied by one plus the percentage increase, if any, in the Minnesota Highway~~
3.12 ~~Construction Cost Index for the reference year. The tax rate must be rounded to the nearest~~
3.13 ~~tenth of a cent. Each of the tax rates for E85, M85, and all other gasoline must not be lower~~
3.14 ~~than the respective rates specified in paragraph (a). Beginning with the calculation on August~~
3.15 ~~1, 2025, the percentage change in each of the tax rates for E85, M85, and all other gasoline~~
3.16 ~~as a result of the requirements under this paragraph must not exceed three percent.~~

3.17 ~~(c) For purposes of this subdivision:~~

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

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

3.22 **EFFECTIVE DATE.** This section is effective July 1, 2024, and applies for taxes imposed
3.23 on or after October 1, 2024.

3.24 Sec. 3. Minnesota Statutes 2023 Supplement, section 296A.08, subdivision 2, is amended
3.25 to read:

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

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

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

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

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

4.3 ~~(b) Annually on August 1, the commissioner must determine the tax rate applicable to~~
4.4 ~~the sale of E85, M85, and all other gasoline subject to tax under this section for the upcoming~~
4.5 ~~12-month period beginning on January 1. The rate must be adjusted as provided in section~~
4.6 ~~296A.07, subdivision 3, paragraph (b). The tax rate must be rounded to the nearest tenth of~~
4.7 ~~a cent. Each of the tax rates for liquefied natural gas or propane, liquefied natural gas,~~
4.8 ~~compressed natural gas, and all other special fuel must not be lower than the respective~~
4.9 ~~rates specified in paragraph (a).~~

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

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

4.13 **EFFECTIVE DATE.** This section is effective July 1, 2024, and applies for taxes imposed
4.14 on or after October 1, 2024.

4.15 Sec. 4. Minnesota Statutes 2023 Supplement, section 297A.99, subdivision 1, is amended
4.16 to read:

4.17 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose
4.18 a general sales tax (1) ~~under section 297A.9915,~~ (2) under section 297A.992, (3) (2) under
4.19 section 297A.9925, (4) (3) under section 297A.993, (5) (4) if permitted by special law, or
4.20 ~~(6)~~ (5) if the political subdivision enacted and imposed the tax before January 1, 1982, and
4.21 its predecessor provision.

4.22 (b) This section governs the imposition of a general sales tax by the political subdivision.
4.23 The provisions of this section preempt the provisions of any special law:

4.24 (1) enacted before June 2, 1997, or

4.25 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law
4.26 provision from this section's rules by reference.

4.27 (c) This section does not apply to or preempt a sales tax on motor vehicles. Beginning
4.28 July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles
4.29 unless it is imposed under section 297A.993.

4.30 (d) A political subdivision may not advertise or expend funds for the promotion of a
4.31 referendum to support imposing a local sales tax and may only spend funds related to
4.32 imposing a local sales tax to:

5.1 (1) conduct the referendum;

5.2 (2) disseminate information included in the resolution adopted under subdivision 2, but
5.3 only if the disseminated information includes a list of specific projects and the cost of each
5.4 individual project;

5.5 (3) provide notice of, and conduct public forums at which proponents and opponents on
5.6 the merits of the referendum are given equal time to express their opinions on the merits of
5.7 the referendum;

5.8 (4) provide facts and data on the impact of the proposed local sales tax on consumer
5.9 purchases; and

5.10 (5) provide facts and data related to the individual programs and projects to be funded
5.11 with the local sales tax.

5.12 **EFFECTIVE DATE.** This section is effective October 1, 2024.

5.13 Sec. 5. Minnesota Statutes 2023 Supplement, section 297B.02, subdivision 1, is amended
5.14 to read:

5.15 Subdivision 1. **Rate.** (a) There is imposed an excise tax of ~~6.875~~ 6.5 percent on the
5.16 purchase price of any motor vehicle purchased or acquired, either in or outside of the state
5.17 of Minnesota, which is required to be registered under the laws of this state.

5.18 (b) The excise tax is also imposed on the purchase price of motor vehicles purchased or
5.19 acquired on Indian reservations when the tribal council has entered into a sales tax on motor
5.20 vehicles refund agreement with the state of Minnesota.

5.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made on or after
5.22 July 1, 2024.

5.23 Sec. 6. Minnesota Statutes 2023 Supplement, section 297B.09, subdivision 1, is amended
5.24 to read:

5.25 Subdivision 1. **Deposit of revenues.** (a) Money collected and received under this chapter
5.26 must be deposited as follows:

5.27 (1) 60 percent in the highway user tax distribution fund;

5.28 (2) ~~34.3~~ 36 percent in the metropolitan area transit account under section 16A.88; and

5.29 (3) ~~5.7~~ four percent in the greater Minnesota transit account under section 16A.88.

6.1 (b) It is the intent of the legislature that the allocations under paragraph (a) remain
6.2 unchanged for fiscal year ~~2024~~ 2025 and all subsequent fiscal years.

6.3 **EFFECTIVE DATE.** This section is effective July 1, 2024.

6.4 Sec. 7. Minnesota Statutes 2023 Supplement, section 473.4051, subdivision 2, is amended
6.5 to read:

6.6 Subd. 2. **Guideway and busway; operating costs.** (a) After operating revenue, federal
6.7 funds, and state funds are used for operations of a guideway or busway, as the terms are
6.8 defined in section 473.4485, subdivision 1, the council must pay all remaining operating
6.9 costs ~~from sales tax revenue, as defined in section 473.4465, subdivision 1.~~

6.10 (b) The requirements under paragraph (a) do not apply to the costs of Northstar Commuter
6.11 Rail attributed to operations outside of a metropolitan county.

6.12 **EFFECTIVE DATE; APPLICATION.** This section is effective October 1, 2024, and
6.13 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

6.14 Sec. 8. Minnesota Statutes 2023 Supplement, section 473.4051, subdivision 2a, is amended
6.15 to read:

6.16 Subd. 2a. **Guideway and busway; capital maintenance.** (a) The council must pay all
6.17 ongoing capital maintenance costs from one or more of: available federal funds; ~~sales tax~~
6.18 ~~revenue, as defined in section 473.4465, subdivision 1;~~ state funds; and proceeds from
6.19 certificates of indebtedness, bonds, or other obligations under section 473.39.

6.20 (b) For purposes of this subdivision, "capital maintenance" includes routine maintenance,
6.21 capital maintenance, and maintenance in a state of good repair.

6.22 **EFFECTIVE DATE; APPLICATION.** This section is effective October 1, 2024, and
6.23 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

6.24 Sec. 9. **GENERAL FUND TRANSFERS.**

6.25 (a) By July 31, 2024, the commissioner of management and budget must consult with
6.26 the commissioner of transportation to determine the revenue reduction resulting from this
6.27 act to: (1) the highway user tax distribution fund; (2) the metropolitan area transit account
6.28 under Minnesota Statutes, section 16A.88; and (3) the greater Minnesota transit account
6.29 under Minnesota Statutes, section 16A.88. The determination must be made for each of
6.30 fiscal years 2025, 2026, and 2027 based on the most recent revenue estimates.

7.1 (b) By July 31, 2024, the commissioner of management and budget must transfer the
7.2 respective amounts as determined in paragraph (a) for fiscal year 2025 from the general
7.3 fund to: (1) the highway user tax distribution fund; (2) the metropolitan area transit account
7.4 under Minnesota Statutes, section 16A.88; and (3) the greater Minnesota transit account
7.5 under Minnesota Statutes, section 16A.88.

7.6 (c) The base for the transfers under this section in each of fiscal years 2026 and 2027 is
7.7 the respective amounts as determined in paragraph (a).

7.8 **EFFECTIVE DATE.** This section is effective July 1, 2024.

7.9 Sec. 10. **REPEALER.**

7.10 Minnesota Statutes 2023 Supplement, sections 297A.9915; and 473.4465, are repealed.

7.11 **EFFECTIVE DATE; APPLICATION.** This section is effective October 1, 2024, and
7.12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

297A.9915 REGIONAL TRANSPORTATION SALES AND USE TAX.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Metropolitan area" means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

(c) "Metropolitan Council" or "council" means the Metropolitan Council established by section 473.123.

(d) "Regional transportation sales tax" means the regional transportation sales and use tax imposed under this section.

Subd. 2. **Sales tax imposition; rate.** Notwithstanding section 473.123, subdivision 1, the Metropolitan Council must impose a regional transportation sales and use tax at a rate of three-quarters of one percent on retail sales and uses taxable under this chapter made in the metropolitan area or to a destination in the metropolitan area.

Subd. 3. **Administration; collection; enforcement.** Except as otherwise provided in this section, the provisions of section 297A.99, subdivisions 4, and 6 to 12a, govern the administration, collection, and enforcement of the regional transportation sales tax.

Subd. 4. **Deposit.** Proceeds of the regional transportation sales tax must be allocated as follows:

(1) 83 percent to the Metropolitan Council for the purposes specified under section 473.4465; and

(2) 17 percent to metropolitan counties, as defined in section 174.49, subdivision 1, in the manner provided under section 174.49, subdivision 5.

Subd. 5. **Revenue bonds.** (a) In addition to other authority granted in this section, and notwithstanding section 473.39, subdivision 7, or any other law to the contrary, the council may, by resolution, authorize the sale and issuance of revenue bonds, notes, or obligations to provide funds to (1) implement the council's transit capital improvement program, and (2) refund bonds issued under this subdivision.

(b) The bonds are payable from and secured by a pledge of all or part of the revenue received under subdivision 4, clause (1), and associated investment earnings on debt proceeds. The council may, by resolution, authorize the issuance of the bonds as general obligations of the council. The bonds must be sold, issued, and secured in the manner provided in chapter 475, and the council has the same powers and duties as a municipality and its governing body in issuing bonds under chapter 475, except that no election is required and the net debt limitations in chapter 475 do not apply to such bonds. The proceeds of the bonds may also be used to fund necessary reserves and to pay credit enhancement fees, issuance costs, and other financing costs during the life of the debt.

(c) The bonds may be secured by a bond resolution, or a trust indenture entered into by the council with a corporate trustee within or outside the state, which must define the revenues and bond proceeds pledged for the payment and security of the bonds. The pledge must be a valid charge on the revenues received under section 297A.99, subdivision 11. Neither the state, nor any municipality or political subdivision except the council, nor any member or officer or employee of the council, is liable on the obligations. No mortgage or security interest in any tangible real or personal property is granted to the bondholders or the trustee, but they have a valid security interest in the revenues and bond proceeds received by the council and pledged to the payment of the bonds. In the bond resolution or trust indenture, the council may make such covenants as it determines to be reasonable for the protection of the bondholders.

473.4465 REGIONAL TRANSPORTATION SALES AND USE TAX USES.

Subdivision 1. **Definition.** For purposes of this section, "sales tax revenue" means the portion of revenue from the regional transportation sales and use tax under section 297A.9915 that is allocated to the council for purposes of this section.

Subd. 2. **Use of funds; Metropolitan Council.** (a) Sales tax revenue is available as follows:

(1) five percent for active transportation, as determined by the Transportation Advisory Board under subdivision 3; and

(2) 95 percent for transit system purposes under sections 473.371 to 473.452, including but not limited to operations, maintenance, and capital projects.

APPENDIX
Repealed Minnesota Statutes: 24-07636

- (b) The council must expend a portion of sales tax revenue in each of the following categories:
- (1) improvements to regular route bus service levels;
 - (2) improvements related to transit safety, including additional transit officials, as defined under section 473.4075;
 - (3) maintenance and improvements to bus accessibility at transit stops and transit centers;
 - (4) transit shelter replacement and improvements under section 473.41;
 - (5) planning and project development for expansion of arterial bus rapid transit lines;
 - (6) operations and capital maintenance of arterial bus rapid transit;
 - (7) planning and project development for expansion of highway bus rapid transit and bus guideway lines;
 - (8) operations and capital maintenance of highway bus rapid transit and bus guideways;
 - (9) zero-emission bus procurement and associated costs in conformance with the zero-emission and electric transit vehicle transition plan under section 473.3927;
 - (10) demand response microtransit service provided by the council;
 - (11) financial assistance to replacement service providers under section 473.388, to provide for service, vehicle purchases, and capital investments related to demand response microtransit service;
 - (12) financial assistance to political subdivisions and tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code for active transportation; and
 - (13) wage adjustments for Metro Transit hourly operations employees.

Subd. 3. Use of funds; active transportation. (a) Sales tax revenue allocated to the Transportation Advisory Board under subdivision 2, clause (1), is for grants to support active transportation within the metropolitan area.

(b) The Transportation Advisory Board must establish eligibility requirements and a selection process to provide the grant awards. The process must include: solicitation; evaluation and prioritization, including technical review, scoring, and ranking; project selection; and award of funds. To the extent practicable and subject to paragraph (c), the process must align with procedures and requirements established for allocation of other sources of funds.

- (c) The selection process must include criteria and prioritization of projects based on:
- (1) the project's inclusion in a municipal or regional nonmotorized transportation system plan;
 - (2) the extent to which policies or practices of the political subdivision encourage and promote complete streets planning, design, and construction;
 - (3) the extent to which the project supports connections between communities and to key destinations within a community;
 - (4) identified barriers or deficiencies in the nonmotorized transportation system;
 - (5) identified safety or health benefits;
 - (6) geographic equity in project benefits, with an emphasis on communities that are historically and currently underrepresented in local or regional planning; and
 - (7) the ability of a grantee to maintain the active transportation infrastructure following project completion.

Subd. 4. Use of funds; metropolitan counties. A metropolitan county must use revenue from the regional transportation sales and use tax under section 297A.9915 in conformance with the requirements under section 174.49, subdivision 6.

Subd. 5. Prohibition. (a) The council is prohibited from expending sales tax revenue on the Southwest light rail transit (Green Line Extension) project.

(b) Paragraph (a) expires on the date of expiration of the Metropolitan Governance Task Force as specified under Laws 2023, chapter 68, article 4, section 123, subdivision 11.

APPENDIX
Repealed Minnesota Statutes: 24-07636

Subd. 6. Tracking and information. (a) The council must maintain separate financial information on sales tax revenue that includes:

(1) a summary of annual revenue and expenditures, including but not limited to balances and anticipated revenue in the forecast period under section 16A.103; and

(2) for active transportation under subdivision 3 and each of the categories specified under subdivision 2 in the most recent prior three fiscal years:

(i) specification of annual expenditures; and

(ii) an overview of the projects or services.

(b) The council must publish the information required under paragraph (a) on the council's website.