

Vehicle Registration Task Force

Introductory Overview

I. Task Force background & overview

- Proposed as part of broader legislative discussions of MNLARS
- Established in transportation budget legislation, Laws 2019, 1st spec. sess., ch. 3, art. 2, § 38
- 20 members with a mix of legislative, executive branch, and stakeholder representation
- Administrative support from LCC and executive branch agencies
- Duties include examining:
 - Taxation structures
 - Registration periods
 - Associated financial impacts
 - Implications for IT system customization
- Legislative report due by January 15, 2020

II. Financial context

- Highway finance overview – see *Highway Finance* handout
 - Registration tax is part of a constitutional framework
 - Revenue goes into the Highway User Tax Distribution (HUTD) fund and is allocated via multiple formulas to state and local road systems
- Registration tax revenue – see *Minnesota HUTD Revenue* handout for history
 - \$781.9 million in FY 2018
 - Accounts for about 35% of HUTD revenue and 31% of state highway revenue
 - Roughly 82% is from passenger vehicle registration
- Passenger vehicle fleet overview:

Passenger Vehicle Registration, FY 2018

Vehicle Age	Vehicle Count	% of Count	Tax Revenue	% of Revenue
New (1st year)	0.26 M	5.8%	\$114.3 M	17.8%
2nd to 10th year	2.08 M	45.5%	\$452.1 M	70.2%
11th+ year	2.22 M	48.7%	\$77.7 M	12.1%
Total	4.56 M	100.0%	\$644.1 M	100.0%

Vehicle Age	Vehicle Count	% of Count	Tax Revenue	% of Revenue
Notes Vehicle counts and revenue are in millions.				

- Registration tax is one several vehicle-related taxes & fees – see *Motor Vehicle Taxes & Fee Flow* handout for examples

III. Registration tax introduction

- Generally, imposed annually as part of the motor vehicle registration process
- Vehicle registration administered by Driver and Vehicle Services in conjunction with appointed deputy registrars
- Tax is calculated differently depending on vehicle type

Registration Tax Calculation Methods

Vehicle Type	Registration Tax Determination
Bus	Weight schedule, graduated based on age
Commuter van	Weight schedule, graduated based on age
Electric vehicle	Formula; original vehicle value, graduated based on age, plus flat amount
Moped	Flat amount
Motorcycle	Flat amount
Passenger vehicle	Formula; original vehicle value, graduated based on age
Recreational vehicle (self-propelled)	Weight schedule, graduated based on age
Trailer (up to 3,000 lbs.)	Onetime flat amounts (various)
Trailer (over 3,000 lbs.)	Weight schedule, graduated at age thresholds
Truck	Weight schedule, graduated at age thresholds
Notes Listing is not comprehensive. Various exceptions and adjustment scenarios not shown. Weight schedule differs across vehicle types. Minn. Stat. § 168.013.	

- Formula for passenger vehicles: sum of (1) \$10 flat amount, plus (2) 1.25% of “base value” as adjusted by a depreciation schedule
 - “Base value” is the original manufacturer’s suggested retail price, including destination charge and excluding any options & accessories
 - Depreciation schedule is an annual reduction in the percentage rate (lowering the rate as the vehicle ages)
 - For vehicle year 11 and after, the tax is no longer based on vehicle value and is instead \$35 (i.e., the \$10 flat amount plus a \$25 minimum)
 - “Hold harmless” provision (from changes in 2008)