

# Transportation Omnibus Funding Bill – HF2887

## TAB FEES

Increases the rate to 1.54% for vehicles registered prior to November 16, 2020, and 1.575% for those on or after that date. Changes the depreciation schedule for MSRP:

- 100% First Year
- 95% Second Year
- 90% Third Year
- 80% Fourth Year
- 70% Fifth Year
- 60% Sixth Year
- 50% Seventh Year
- 40% Eighth Year
- 25% Ninth Year
- 10% Tenth Year
- \$20 for 11<sup>th</sup> year and older

Revenue deposited into the HUTDF.

## Delivery Fee

Fee of 50 cents per order on orders over \$100 for retail delivery.

Exemptions:

- Purchasers who are exempt from sales tax
- Motor vehicles exempt from taxation
- Food or food ingredients
- A sale by a food or beverage service establishment
- Sale of drugs and medical devices or baby products
- Small businesses with retail sales of less than \$1 million

Effective July 1, 2024. Revenue from the fee is deposited into the Transportation Advancement Account.

## Indexing of Motor Fuels Tax

The gasoline excise tax and the special fuel excise tax are indexed. Annually, on August 1, the rate of the tax must be determined with the current rate, multiplied by one plus the percentage increase in the Minnesota Highway Construction Cost Index for the reference year. Each of the tax rates must not be lower than the respective rates in current law. Beginning with the calculation on August 1, 2025, the percentage change in each tax rate must not exceed 3%. Applies to taxes imposed on or after January 1, 2024.

Expected to increase the excise tax rate by 5 cents per gallon by FY2027. Revenue deposited into the HUTDF.

## **Motor Vehicle Sales Tax (MVST)**

The Motor Vehicle Sales Tax is increased from 6.5% to 6.875% for purchases made on or after July 1, 2023. The distribution of the revenue is changed as follows:

- 60% to HUTDF
- 34.3% to the Metropolitan Transit Assistance Account
- 5.7% to the Greater Minnesota Transit Assistance Account

## **Metropolitan Area Sales Tax**

The Metropolitan Council must impose a regional transportation sales tax at a rate of  $\frac{3}{4}$  of one percent. The proceeds of the tax must be allocated as follows:

- 83% to the Metropolitan Council with 95% for transit system purposes including operations, maintenance and capital projects, and 5% for active transportation.
- 17% to the 7 metropolitan area counties for uses specified for the Transportation Advancement Account.

After operating revenue, federal funds and state funds are used for operations of a guideway or busway, the council must pay all remaining operating costs from the sales tax revenue and the council must pay all ongoing capital maintenance costs from one or more of: federal funds, sales tax revenue and proceeds from bonds.

## **Dedication of Sales Tax Revenue attributable to Auto Repair Parts**

The sales tax on auto repair parts shall be deposited in the following manner:

- 43.5% to the HUTDF
- A percentage to the Transportation Advancement Account as follows:
  - 3.5% in FY24
  - 4.3% in FY25
  - 5.5% in FY26
  - 7.5% in FY27
  - 14.5% in FY28
  - 21.5% in FY29
  - 28.5% in FY30
  - 36.5% in FY31
  - 44.5% in FY32
  - 56.5% in FY33 and thereafter

## **Transportation Advancement Account**

A Transportation Advancement Account is created in the special revenue fund. The funds must be distributed as follows:

- 36% to metropolitan counties
- 10% to CSAH
- 15% to Larger Cities Assistance Account
- 27% to Small Cities Assistance Account
- 11% to the Town Road Account
- 1% to food delivery support account

Distribution among the 7 counties is based 50% on need and 50% on population. A metropolitan county must use the funds as follows:

- 41.5% for active transportation and transportation corridor safety studies
- 41.5% for repair, preservation and rehabilitation of transportation systems without adding capacity.
- 17% for transit purposes, complete streets, projects, programs and operations that meet the requirements for mitigation.