

HISTORY OF Mn/DOT REVENUE CHANGES

Motor Fuel Taxes (Gasoline and Special Fuels)

- 1975 Increased from 7 to 9 cents per gallon.
- 1980 Increased from 9 to 11 cents per gallon.
- 1981 Increased from 11 to 13 cents per gallon.
- 1983 Increased from 13 to 16 cents per gallon (for eight months) and then to 17 cents per gallon beginning January 1, 1984.
- 1988 Increased from 17 to 20 cents per gallon.
- 1994 Phased out 2-cent gasohol credit over 4 years.

Motor Fuel Tax Rates per Gallon: Federal, Minnesota, and Neighboring States

	<u>Federal</u>	<u>MN</u>	<u>WI</u>	<u>SD</u>	<u>IA</u>	<u>ND</u>
Gasoline	18.4	20.0	30.9	22.0	21.0	23.0
Diesel	24.4	20.0	30.9	22.0	22.5	23.0
Gasohol (10% blend)	18.4*	20.0	30.9	20.0	19.0	23.0

*The American Jobs Creation Act (AJCA) of 2004 changed federal tax treatment related to ethanol-blended gasoline (gasohol). The Highway Account of the Federal Highway Trust Fund now receives the same amount of revenue from gasohol as it does from unblended gasoline. Credits are paid from the Federal General Fund for ethanol blended with gasoline, based on the gallons of ethanol, thus maintaining the federal tax incentive for the use of ethanol. The effect of this change is to increase the federal gasohol (10% blend) tax (as relates to the Federal Highway Trust Fund) to 18.4 cents per gallon.

Motor Vehicle Registration Taxes

1981 Increased passenger vehicle registration taxes by phasing in an increased minimum tax. The minimum was increased in 1981 on a phase-in schedule from \$23 to \$35 in 1985, which is the current minimum tax.

1986 Increased truck registration taxes for heavier trucks:

<u>Truck Size</u>	<u>Old Tax</u>	<u>New Tax</u>
9 ton	\$1,520	\$1,595
10 ton	\$1,620	\$1,760

1989 Adjusted schedule for reduction of taxes paid for passenger vehicles as they become older, such that citizens pay more over the life of the vehicle.

2000 Retained the same policy for calculating the tax for passenger vehicles, but provided a maximum tax of \$189 for the first renewal and a maximum tax of \$99 for the second and subsequent renewals.

Motor Vehicle Sales Tax as a Transportation Revenue Source

The Motor Vehicle Sales Tax (MVST) was previously defined as the Motor Vehicle Excise Tax (MVET)

- 1981 Established phase-in of MVST as a transportation revenue source (75% Highways, 25% Transit) over three bienniums (100% by FY 1990).
- 1983 Delayed scheduled phase-in by two years.
- 1984 Added one additional year (FY 1985) at the 25% share.
- 1986 Removed FYs 1986 and 1987 (@ 25% share); left intact the schedule for FY 1988 and beyond.
- 1987 Eliminated the phase-in concept. Allowed 5% transfer for FY 1988 and beyond.
- 1988 Allowed 30% MVST transfer for 1989 and beyond; provided that beginning July 1, 1991, none of the highway share would be distributed to CSAH and MSAS Funds.
- 1989 Allowed 35% MVST transfer for FY 1990 and beyond. The entire highway share (75%) of the additional 5% is transferred to the Trunk Highway Fund.
- 1990 Allowed 30% MVST transfer for FY 1991 and beyond. The 5% reduction was taken from the HUTDF share, resulting in 25% for HUTDF/transit distribution, and 5% credited entirely to the Trunk Highway Fund/transit.
- 1991 Eliminated as a transportation revenue source.
- 2001 **HIGHWAYS:** In FY 2002, 30.86% of MVST revenues were deposited in the Highway User Tax Distribution Fund. In FY 2003, 32% of MVST revenues were deposited in the Highway User Tax Distribution Fund.
- TRANSIT:** For FY 2003, 20.5% of MVST was dedicated to the Metropolitan Area Transit Fund and 1.25% of MVST was dedicated to the Greater Minnesota Transit Fund, both for property tax relief. An additional 2% of MVST was scheduled to be dedicated to the “Metropolitan Area Transit Appropriation Account” beginning on July 1, 2003.
- 2003 For 2004 – 2007 the distribution was changed to the following:
HIGHWAYS: 30% of MVST revenues to be deposited to the Highway User Tax Distribution Fund, 0.65% to the County State Aid Highway Fund, and 0.17% to the Municipal State Aid Street Fund.

TRANSIT: 21.5% of MVST revenues to be dedicated to the Metropolitan Area Transit Fund and 1.43% to the Greater Minnesota Transit Fund. No money will be deposited to the “Metropolitan Area Transit Appropriation Account.”

After 2007, the distribution would revert to that which was in effect for FY 2003, except there will no longer be a distribution to the “Metropolitan Area Transit Appropriation Account.”

- 2005 Constitutional amendment was passed, providing that by FY 2012 all revenues would be dedicated to transportation as follows: (1) not more than 60% to be deposited in the Highway User Tax Distribution Fund; and (2) not less than 40% to be dedicated to transit. Currently 46.25% is deposited in the General Fund, and in 2012 none of MVST revenue would be deposited to the General Fund. A five-year phase-in schedule is provided in the amendment.
- 2006 Voters approved the proposed constitutional amendment in the November 2006 general election. Under terms of this change to the constitution, the distribution of MVST revenues will be as shown below (assuming that 60% is allocated to the Highway User Tax Distribution Fund and 40% is allocated to transit):

<u>Fiscal Year</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Allocation to the Highway User Tax Distribution Fund	38.25%	44.25%	50.25%	56.25%	60%
Allocation to transit	25.5%	29.5%	33.5%	37.5%	40%
Total To Transportation	63.75%	73.75%	83.75%	93.75%	100%

As stated in the amendment, not more that 60% may be deposited in the Highway User Tax Distribution Fund, and not less than 40% must be allocated to transit. Therefore, the table above shows the maximum percentages that will be allocated to the Highway User Tax Distribution Fund and the minimum percentages that will be allocated to transit.