



**VARIOUS TAX TYPES**  
**House Transportation Bill**  
 Tax Sections Only

April 18, 2025

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
 Analysis of H.F. 2438 (Koznick) the H2438DE1 amendment as amended by H2438A18

	<b>Fund Impact</b>			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
Passenger Rail Account Transfer Delay	\$0	\$0	\$8,120	\$8,240
Property Tax Refund Interaction	\$0	(\$1,380)	(\$1,440)	(\$1,510)
Income Tax Interaction	\$0	(\$450)	(\$480)	(\$500)
Met Council Payment	<u>\$0</u>	<u>\$1,830</u>	<u>\$1,920</u>	<u>\$2,010</u>
General Fund Total	\$0	\$0	\$8,120	\$8,240
All-Electric Vehicle Surcharge Increase	<u>\$5,500</u>	<u>\$7,700</u>	<u>\$10,800</u>	<u>\$15,100</u>
Highway User Tax Distribution Fund	\$5,500	\$7,700	\$10,800	\$15,100
All-Electric Vehicle Surcharge Increase	<u>\$2,600</u>	<u>\$3,600</u>	<u>\$5,100</u>	<u>\$7,100</u>
Transportation & Mitigation Account	\$2,600	\$3,600	\$5,100	\$7,100
Retail Delivery Fee	<u>(\$230)</u>	<u>(\$360)</u>	<u>(\$360)</u>	<u>(\$360)</u>
Special Revenue Fund	(\$230)	(\$360)	(\$360)	(\$360)
Unmanned Aircraft Fleet Event Fee	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
State Airports Fund	Unknown	Unknown	Unknown	Unknown
Total – All Funds	\$7,780	\$10,940	\$23,660	\$30,080

**EXPLANATION OF THE BILL**

***All-Electric Vehicle Surcharge Increase (Article 2, Section 12)***

*Effective the day following final enactment and applies to taxes payable for a registration period starting on or after July 1, 2025.*

Currently, a surcharge of \$75 is currently imposed on all-electric vehicles in addition to the motor vehicle registration tax. Revenue generated from the surcharge is deposited into the Highway User Tax Distribution Fund (HUTDF). The proposal would increase the surcharge on all-electric vehicles to \$200. The revenue disposition would be changed to 80% of revenue to the HUTDF and 20% to the transportation impact assessment and mitigation account.

- The electric vehicle surcharge forecast from February 2025 was used.
- The fiscal year 2026 estimates represent a full year of impact.

***Retail Delivery Fee Exemptions (Article 2, Sections 25, 26, 27 of DE1 as amended by H2438A18)***  
*Effective the day following final enactment for retail deliveries made after June 30, 2025.*

**Current Law:** A fee of \$0.50 is imposed on retail sales transactions equaling or exceeding \$100 involving retail deliveries in Minnesota. The fee is imposed on retail deliveries involving items subject to the sales and use tax. The fee is also imposed on retail deliveries involving clothing.

**Proposed Law:** The bill, as proposed to be amended, would exempt retail deliveries resulting from the retail sale of fuel products and road construction materials purchased by and delivered to a political subdivision, trade, or business. Fuel products are defined as liquefied natural gas or liquefied petroleum gas. Road construction materials are defined as street or highway construction materials including aggregate, hot mix asphalt, plastic concrete, cementitious materials, concrete admixtures, asphalt cement, and recycled road materials.

- It is estimated that the retail delivery fee will generate \$35 million in fiscal year 2026 and \$50 million in fiscal years 2027, 2028, and 2029.
- Information from the Energy Information Administration (EIA) was used to inform the estimates.
- It is estimated that commercial consumption of liquid fuels in Minnesota in 2023 totaled \$200 million.
- It is assumed that half of the commercial consumption is for taxable space heating and subject to the delivery fee.
- It is estimated that commercial liquid fuel subject to the delivery fee accounts for 0.04% of the sales tax base.
- It is assumed that the share of transactions subject to the retail delivery fee for commercial liquid fuel is equivalent to its share of the sales tax base.
- The estimates are reduced to account for fewer transactions on commercial liquid fuel than the average sales taxable product.
- It is estimated that typical annual state spending on Minnesota roadways is \$1.7 billion.
- The estimates are reduced to account for fewer transactions on road construction materials than the average sales taxable product.
- It is estimated that road construction materials subject to the retail delivery fee accounts for 0.7% of the sales tax base.
- It is assumed that the share of transactions subject to the retail delivery fee for road construction materials is equivalent to its share of the sales tax base.
- The fiscal year 2026 estimate is reduced for eleven months of collections.

***Passenger Rail Account Transfer (Article 2, Section 53)***

Under laws passed during the 2024 session, 50 percent of the portion of the state general tax levied on railroad operating property must be transferred from the general fund to the passenger rail account each year beginning in July 2027. The proposal delays the first transfer to the passenger rail account by two years, meaning the first transfer would be made in July 2029.

- By delaying the first transfer to the passenger rail account, the money that would have been transferred would instead remain in the general fund. This amounts to \$8.12 million in fiscal year 2028 and \$8.24 million in fiscal year 2029.

***Electric-Assisted Bicycle Rebate Modifications (Article 2, Sections 54 & 55)***

*Effective the day following enactment and applies to all rebates after December 31, 2024.*

The bill reduces the maximum rebate and eliminates the phase out of the rebate percentage. The rebate would equal the lesser of 75% of eligible expenses paid by an individual or \$750.

Eligibility for the rebate would be limited to individuals whose AGI in the previous year was not more than \$78,000 for married joint filing individuals or \$41,000 for all other individuals.

If the number of eligible applicants exceeds the available allocation of rebate certificates, the bill requires that credits be allocated through a random lottery, rather than on a first-come, first-served basis. If a random lottery is used, the Commissioner of Revenue must, by August 1, 2025, determine a suitable randomized method to allocate certificates, establish a method for eligible individuals to apply, detail the anticipated timeline for the lottery, and announce the amount of certificates available to be distributed.

- The bill will have no fiscal impact as it is assumed that the remaining funds from the \$2 million authorized for 2024 and the entire \$2 million authorized for 2025 will be issued as rebate certificates. It is possible that not every rebate certificate issued will be claimed.
- The bill reduces the maximum rebate by half, increasing the number of applicants who will receive a rebate. At \$750 each, there would be sufficient funding for about 2,667 rebates.

***Alternative Fee for Coordinated Unmanned Aircraft System Fleets (Article 2, Section 63)***

*Effective beginning the day following final enactment.*

Currently, non-recreational small unmanned aircraft systems with a takeoff weight of less than 55 pounds are exempt from the aircraft registration tax and are instead subject to a \$25 annual registration fee. The bill would create a new exemption category for coordinated unmanned aircraft system fleets used in events and would impose a \$2 daily registration fee per unmanned aircraft system in lieu of the \$25 annual registration fee. The daily registration fee would only be administered on days the unmanned aircraft systems are used for an event.

***Metropolitan Council Regional Transit Bonding Authority (Article 2, Sections 66, 67)***

*Effective beginning the day following final enactment.*

The bill would authorize the Metropolitan Council to issue up to \$110.8 million in certificates of indebtedness, bonds, or other obligations for capital expenditures prescribed in the council's transit capital improvement program. Of the total authorization, the council may issue debt

obligations of up to \$54.6 million after July 1, 2025, and \$56.2 million after July 1, 2026.

The proposal requires the Metropolitan Council to transfer money to the state general fund to account for the effect of their increased debt service levy on the state's property tax refund programs and individual income tax collections. The amount of the transfer would be certified by the commissioner of revenue. The transfer must be made by July 31 each year beginning with fiscal year 2027.

- The estimate is based on the February 2025 forecast.
- Bonding principal and interest will be paid by increasing property tax levies.
- Based on data from the Metropolitan Council, the new bonding authority will increase the debt service levy by \$23.54 million in taxes payable year 2026, \$24.64 million in taxes payable year 2027, and \$25.76 million in taxes payable year 2028.
- Increased debt service levies would increase taxes on homesteads beginning in taxes payable 2026. The increased taxes on homesteads would increase property tax refunds by \$1.38 million in fiscal year 2027, \$1.44 million in fiscal year 2028, and \$1.51 million in fiscal year 2029.
- Additional deductions for income tax itemization would lower income tax receipts by \$450,000 in fiscal year 2027, \$480,000 in fiscal year 2028, and \$500,000 in fiscal year 2029.
- It is estimated the Metropolitan Council transfer to the state general fund would be \$1.83 million in fiscal year 2027, \$1.92 million in fiscal year 2028, and \$2.01 million in fiscal year 2029.

Minnesota Department of Revenue  
Tax Research Division  
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