

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Beard and others

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**Analyst:** John Williams, 6541-296-5045

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### Overview

This bill contains several provisions for transportation funding:

- 5 cent gas tax increase and indexing of gas tax
- Authorization for any county to levy a wheelage tax up to \$20
- Increase in minimum tax on autos
- Authorization for counties to levy sales tax for transportation
- Authorization for cities and counties to levy transportation impacts fees
- Authorization of \$100 million in trunk highway bonding, \$50 million in bonding for local routes of regional significance, and \$50 million in bonding for local bridges

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**Article 1: Motor Fuel Taxes**

**Overview**

This article increases the gasoline tax by 5 cents per gallon and makes proportionate increases in other motor fuel taxes. It also provides for annual indexing of the tax to inflation.

- 1 Gasoline tax.** Increases the excise tax on gasoline from 20 to 25 cents per gallon and makes proportionate increases in the tax on E-85 and M-85.
- 2 Special fuel tax.** Makes proportionate increases in the tax on diesel fuel (same rate as gasoline tax), LPG, LNG, and compressed natural gas when used as motor fuels.
- 3 Fuel tax indexing.** Provides for annual indexing of motor fuel taxes to the Consumer Price Index, beginning April 1, 2007.

**Article 2: Motor Vehicle Taxes**

**Overview**

This article makes changes in the law authorizing metropolitan counties to impose a wheelage tax by making the authorization statewide and eliminating disincentives to impose the tax. It also increases the minimum tax on autos from \$10 to \$35 and makes corresponding increase in maximum taxes.

- 1 1 Wheelage tax.** Makes changes in the law authorizing metropolitan counties to levy a wheelage tax for highway purposes.

**Subd. 1. Tax authorized.** Deletes obsolete language. Removes the provision that limits the authorization to only metropolitan counties. Increases the maximum amount of the tax from \$5 to \$20 per vehicle.

**Subd. 2. Collection.** Repeals the provision that requires revenue from the wheelage tax to be placed in the state treasury and credited to the imposing county's county wheelage tax fund.

**Subd. 2a. Deposit.** Requires the Department of Public Safety, after collecting a wheelage tax on behalf of a county, to deposit the proceeds in the county's road and bridge fund.

**Subd. 3. Distribution to metropolitan counties.** Repeals provisions relating to wheelage taxes in metropolitan counties.

**Subd. 4. Same.**

**Subd. 5. Same.**

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### **Subd. 6. Same.**

### **Subd. 7. Offenses.** Makes technical corrections.

- 2 Auto license taxes.** Increases minimum tax on passenger autos from \$10 to \$35. Increases the maximum taxes on passenger autos after the first year of vehicle life, from \$189 to \$214 in the second year of vehicle life and from \$99 to \$124 in subsequent years.

## **Article 3: Sales Taxes for Transportation**

### **Overview**

This article authorizes counties to levy sales taxes for transportation purposes.

- 1 1 Local sales taxes.** Authorizes counties to levy sales taxes for transportation purposes.

**Subd. 1. Authorization.** Allows counties by resolution to levy a sales tax for the purposes specified in subdivision 9.

**Subd. 2. Tax base.** Makes the tax base the same as the state sales tax.

**Subd. 3. Use tax.** Imposes a compensating use tax.

**Subd. 4. Rate of tax.** Authorizes the county board to set the rate of tax at up to 1/2 percent. Provides for a county motor vehicle sales tax of up to \$20.

**Subd. 5. Taxable price.** Specifies that the taxable price excludes the state sales tax and any city sales tax.

**Subd. 6. Exemptions.** Extends current exemptions for the state sales tax to county sales taxes.

**Subd. 7. Application of other laws.** Makes existing laws relating to collection of local sales taxes applicable to the tax.

**Subd. 8. Joint powers agreement.** Allows joint powers agreements among counties to exercise the powers granted by this section to any county.

**Subd. 9. Use of revenue.** Allows revenue to be used only for county highways (including county state-aid highways) and public transit assistance.

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### Article 4: Transportation Impact Fees

#### Overview

This article authorizes cities and counties to impose transportation impact fees on building permits, based on anticipated trip generation rates.

**1 1 Transportation impact fees.** Authorizes cities and counties to impose transportation impact fees on building permits.

**Subd. 1. Fees may be imposed.** Authorizes cities and counties to impose transportation impact fees on building permits.

**Subd. 2. Adoption of plan.** Requires a city or county before imposing a transportation impact fee to adopt a safety and intersection improvement plan covering intersections and safety **hazards** to be addressed, including costs. Requires the plan to be updated at least once every 5 years.

**Subd. 3. Use of fees.** Allows fee revenue to be spent only on projects in the plan.

**Subd. 4. Calculation of fee.** Requires an ordinance that imposes a transportation utility fee to contain:

- a reasonable classification of all property in the city according to trips generated
- a determination of the average daily trips generated by a single-family dwelling
- a trip generation rate for each class of property based on a multiple of the rate for a single-family dwelling

**Subd. 5. Exemptions.** Specifies that the following building permits are exempt from the fee:

- alterations or expansions of existing dwellings where no additional units are created
- construction of accessory buildings or structures if the trips generated will not increase
- replacement of destroyed or partially destroyed structure on the same land with a similar structure
- new construction that does not generate trips

**Subd. 6. Collection.** Provides for collection of fees at the time of issuance of building

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permits, or payment over a period of up to 10 years in the same manner as property taxes.

**Subd. 7. Notice, hearing.** Provides that an ordinance imposing a transportation utility fee must allow for a hearing on the determination of an individual fee.

### **Article 5: Bond Authorization**

## **Overview**

This article authorizes \$100 million in trunk highway bonding, split equally between greater Minnesota interregional corridors and metropolitan bottleneck elimination. It also authorizes \$50 million in general obligation bonds for local bridges and \$50 million in general obligation bonds for local routes of regional significance.

**1 1 Appropriations.** Appropriates bond proceeds.

**Subd. 1. Trunk highway fund.** Appropriates \$100 million from the bond proceeds account in the trunk highway fund to the commissioner of transportation for trunk highway improvement projects. Specifies \$50 million for greater Minnesota interregional corridors and \$50 million for metropolitan bottleneck elimination.

**Subd. 2. State transportation fund.** Appropriates \$50 million from the state transportation fund to the commissioner of transportation for grants to local governments for bridge construction and reconstruction. Allows money to be spent for federal aid match and preliminary engineering and environmental studies. Allows money to be spent to pay costs of abandoning bridges that will not be replaced, and for road and street construction to facilitate bridge abandonment when such an expenditure would be more economical than replacing the bridge.

**Subd. 3. Bond proceeds fund.** Appropriates \$50 million from the bond proceeds fund to the commissioner of transportation for deposit in the local road account for routes of regional significance in the local road improvement fund.

**2 Bond authorizations.** Authorizes \$100 million in trunk highway bonding for section 1, subdivision 1. Authorizes \$50 million in state transportation (general obligation) bonding for section 1, subdivision 2. Authorizes \$50 million in general obligation bonds for section 1, subdivision 3.

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**Article 6: County State-Aid Formula**

**Overview**

This article provides for a different county state-aid distribution formula for revenue from fuel tax increases

- 1 1** **Estimate.** Provides that estimates of county state-aid highway fund apportionments include an estimate for both the apportionment sum and excess sum. Provides that the "apportionment sum" is the revenue from motor vehicle license taxes and from motor fuel tax rates in effect on May 31, 2005. Provides that the "excess sum" is the revenue from increases in motor fuel tax rates taking effect after May 31, 2005.
- 2** **Formulas.** Provides that the distribution formula for county state-aid funds under the "apportionment sum" is the same as in current law for all county state-aid apportionments (50 percent money needs, 30 percent lane-miles, 10 percent vehicle population, 10 percent equal distribution). Provides a new formula for the "excess sum:" 60 percent money needs, 40 percent vehicle population.
- 3** **Local road improvement fund grant procedures.** Provides that grant procedures and criteria for the local road improvement fund are not subject to the Administrative Procedure Act.