HF 702 (Rep. Chris Swedzinski, Ghent)/SF 877 (Sen. Gary Dahms, Redwood Falls) is a League-supported bill that would exempt city and county purchases of road maintenance vehicles from the 6.5 percent state motor vehicle sales tax (MVST).

**MVST exemption for city/county road maintenance vehicles**

**(HF 702-Rep. Swedzinski/SF877-Sen. Dahms)**

*Current town exemption would be extended to city and county purchases of road maintenance vehicles*

**Background**

Purchases of licensed motor vehicles are taxed under the motor vehicle sales tax statute (Minn. Stat. § 297B). The general sales tax exemption granted to cities and counties in 2013 only covers the general sales and use taxes (Minn. Stat. § 297A) and therefore, does not extend to motor vehicles that must be licensed.

Under current law (Minn. Stat. § 297B.03), the state’s roughly 1,800 towns are exempted from paying the 6.5 percent state motor vehicle sales tax on vehicles used exclusively for road maintenance, including snow plows and dump trucks. The town exemption has been in place since 1998. However, an identical vehicle purchased by any of the state’s 853 cities or 87 counties is subject to the MVST, increasing the cost of vehicles used to maintain our roads by 6.5 percent.

For a typical $180,000 snow plow, the MVST paid by a city or county would total $11,700.

This bill would not extend the motor vehicle sales tax exemption to all city, county and town vehicles. Similar to the existing town exemption, cities and counties would continue to pay the motor vehicle sales tax on purchases of most automobiles, vans, or pickup trucks.

Although most other vehicles purchased by local units of government, including towns, are subject to the state MVST, the purchase of certain types of vehicles, which do not have to be licensed, are currently exempt from the motor vehicle sales tax, including marked squad cars, fire trucks, fire support vehicles and ambulances.

**Impact of the legislation**

Under this bill, the existing MVST exemption for town purchases of road maintenance vehicles is extended to purchases of these vehicles by other local governments, including all statutory and home rule charter cities, counties and instrumentalities of cities, counties and towns, including a special district organized under a joint power agreement. Purchases of cars, vans, and pickup trucks by towns, cities and counties will remain taxable.

*Question? Contact Gary Carlson at* *gcarlson@lmc.org* *or (651) 281-1255.* (Updated 2/8/2019)