

H.F. 638

With author's amendment (H0638A1)

Subject Luxury vehicle surcharge**Authors** Koegel**Analyst** Matt Burress**Date** March 15, 2021**Summary**

This bill, as proposed to be amended by the H0638A1 amendment, adds a “luxury vehicle surcharge” to the motor vehicle sales tax (MVST) for some motor vehicle sales. It carries a 4 percent rate calculated against a portion of the sales price, and it applies to the sale of most passenger-type motor vehicles (e.g., cars, SUVs, and noncommercial pickup trucks) as well as recreational vehicles. The surcharge is imposed in conjunction with MVST, and resulting revenue is deposited in the same manner (with 60 percent to highways, 36 percent to Twin Cities metropolitan area transit, and 4 percent to Greater Minnesota transit).

The surcharge applies to both new and used vehicle sales, but is only imposed on an increment of vehicle sales price (not the entire price). It is calculated for the portion of the price that is more than twice the latest annual average sales price for new vehicles. The average sales prices and increments are determined separately for three classifications of vehicle: passenger automobiles, noncommercial one-ton pickup trucks, and recreational vehicles.

The Department of Revenue is directed to annually revise the sales price averages, with revisions going into effect each October 1. The surcharge goes into effect for sales on and after October 1, 2021.