

**Subject** Vehicle rental fee retention

**Authors** West

**Analyst** Matt Burress

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## Summary

This bill allows motor vehicle rental firms to retain an additional share of the vehicle rental fee in 2021 and later years (until 2025) in order to offset 2020 costs from the motor vehicle registration tax that were not covered by vehicle rental fee collections in that year.

A 5% vehicle rental fee is imposed on motor vehicle rentals separately from the motor vehicle rental tax and the state sale tax. It is designed to cover rental company registration tax costs for the vehicle fleet. Under current law, the fee collections in excess of registration taxes paid must be annually remitted by the rental company to the state. The revenue ultimately goes into the Highway User Tax Distribution Fund. Minn. Stat. § 297A.94 (e). The bill allows the rental company to retain the portion of an excess fee collected in 2021 (or in later years) that recoups the amount by which the company's 2020 registration taxes exceeded its 2020 rental fee collections.