



## **Motor Vehicle Fee and Tax Increases**

The 2008 Minnesota Legislature passed several laws raising taxes and fees that dealers collect and pay to the State of Minnesota.

### **Metro Transit Sales Tax and \$20 Vehicle Excise Tax – Effective July 1, 2008**

A new law allowed metro counties to opt into a .25% general sales tax increase and a new \$20 transit excise tax on motor vehicle sales. Five counties signed on: Hennepin, Ramsey, Anoka, Dakota and Washington. These new taxes are effective July 1, 2008.

Dealers in the five counties are most affected. In parts and service, 5-county dealers will collect an additional quarter point over and above the regular sales and use tax rate including local tax add-ons. In the front end, vehicle sales and leases are treated differently. 5-county dealers must collect a \$20 excise tax on each retail vehicle sale. This \$20 tax is not shown on the title application and is not remitted to the Deputy Registrar. Instead it is paid with the dealer's monthly sales tax return. Leases of vehicles are treated the same by dealers around the state. There is no \$20 transit excise tax on leases. Instead, an extra .25% transit sales tax is collected on leased vehicles that will be garaged in one of the 5 counties.

Registration is required for 5-county dealers. The Minnesota Department of Revenue tried to identify and pre-register dealers in the 5 counties so their sales tax returns would display correct fields and properly calculate the transit taxes. The Department's letter to pre-registrants is dated June 4, 2008. If you didn't get the letter, you can register on the Department of Revenue web site.

Dealers outside the five counties are only modestly affected by the new transit taxes. Vehicle sales are unaffected. As described above, vehicle leases are charged the extra .25% in similar fashion as other local taxes if the vehicle is garaged in one of the 5 counties regardless of the location of the lessor dealer. Also similar to the other local taxes, dealers using their own vehicles to deliver parts to retail customers in affected counties must collect the extra quarter point. Dealers outside the 5 counties can register with the Department of Revenue upfront or they can wait until their first transaction when they collect transit sales tax.

### **Registration Tax Increases – Effective September 1, 2008**

The 2008 Legislature raised registration fees on used vehicles by phasing out the popular \$189 and \$99 registration caps instituted during the Jesse Ventura administration. The phase out begins for annual registration periods beginning September 1, 2008.

There is no change in registration tax for first time registration of new vehicles. They continue to be assessed \$10 + 1.25% of base value. However subsequent registrations will be taxed on base value schedules reducing the tax approximately 10% each year. The caps were repealed.

**Important:** Special treatment for Minnesota vehicles. Even though the registration caps were repealed, the new law provides that any vehicle already registered in Minnesota on September 1, 2008 may never be assessed more registration tax than was due for the last annual registration period.

Example: A 2005 Lexus with a base value of \$50,000 was sold new and titled in Minnesota in October 2005. It paid registration taxes as follows: September 2006 tab - \$635; September 2007 tab - \$189; September 2008 tab - \$99.

Assume that a dealer trades the Lexus in and sells it in October 2008. The new owner's September 2009 tab would cost \$99. The customer could never pay more than \$99 per year registration fee on that vehicle.

However, this favorable treatment does not apply to out-of-state vehicles. Assume that an identical used 2005 Lexus is purchased by a Minnesota dealer on a Wisconsin title and then sold and registered in Minnesota in October 2008. Applying the base value schedule, the September 2009 tab would cost the customer \$447.50

### **Driver and Vehicle Fee Increases – Effective July 1, 2008**

A law passed late in the session adds \$1.75 to several existing title and transfer fees to fund technology improvements at DVS. The higher fees must be shown on all applications and transfers filed with the Deputy Register on or after July 1:

- Duplicate Title Fee increases from \$7.25 to \$9.00
- Title Fee increases from \$6.25 to \$8.00
- Title Transfer Fee increases from \$5.50 to \$7.25 for each additional reassignment on a Minnesota title.

This is a summary of the new tax laws. Additional information is available on the Internet. Browse to [www.mada.org](http://www.mada.org) for links. If you have questions, please feel free to contact Jim Schutjer at you MADA office.