

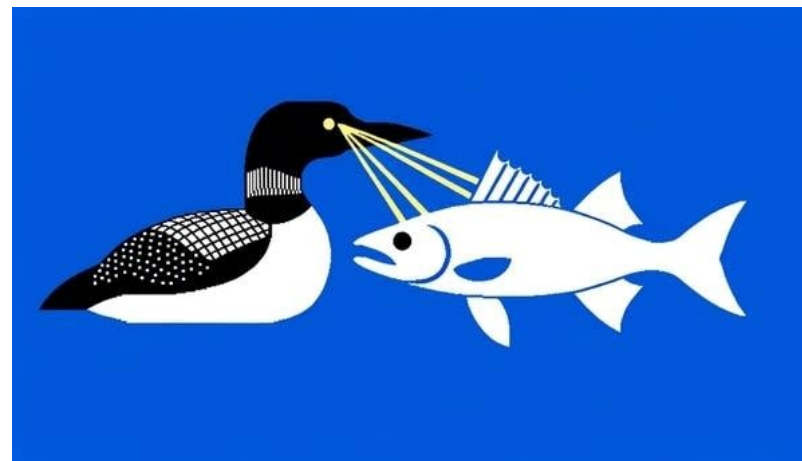


# Minnesota Transportation Funding Overview

## Motor Vehicle Registration Compliance Working Group – 8/15/2024

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# Minnesota



# Overview

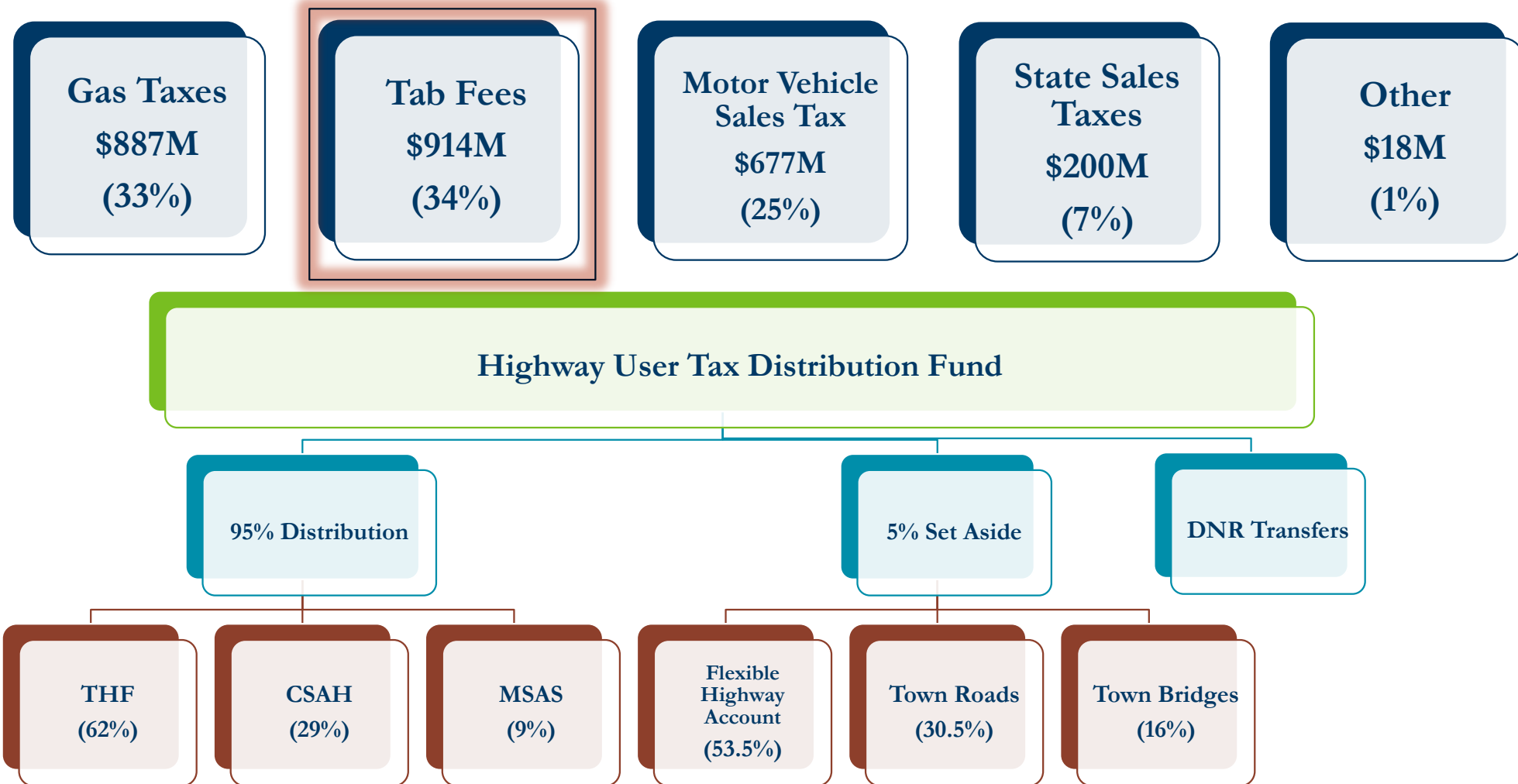
- Minnesota has the 4<sup>th</sup> largest roadway system in the country
- Over 145,000 centerline miles
- Of that total, nearly 12,000 Trunk Highway miles
- 8% of total road miles but 60% of VMT

Figure 1-6: Minnesota's State Highway Network



# HUTD Sources and Uses

FY 2024 Actuals (prelim) = \$2.7B (56% of total state/federal)



# Primary HUTD Revenues

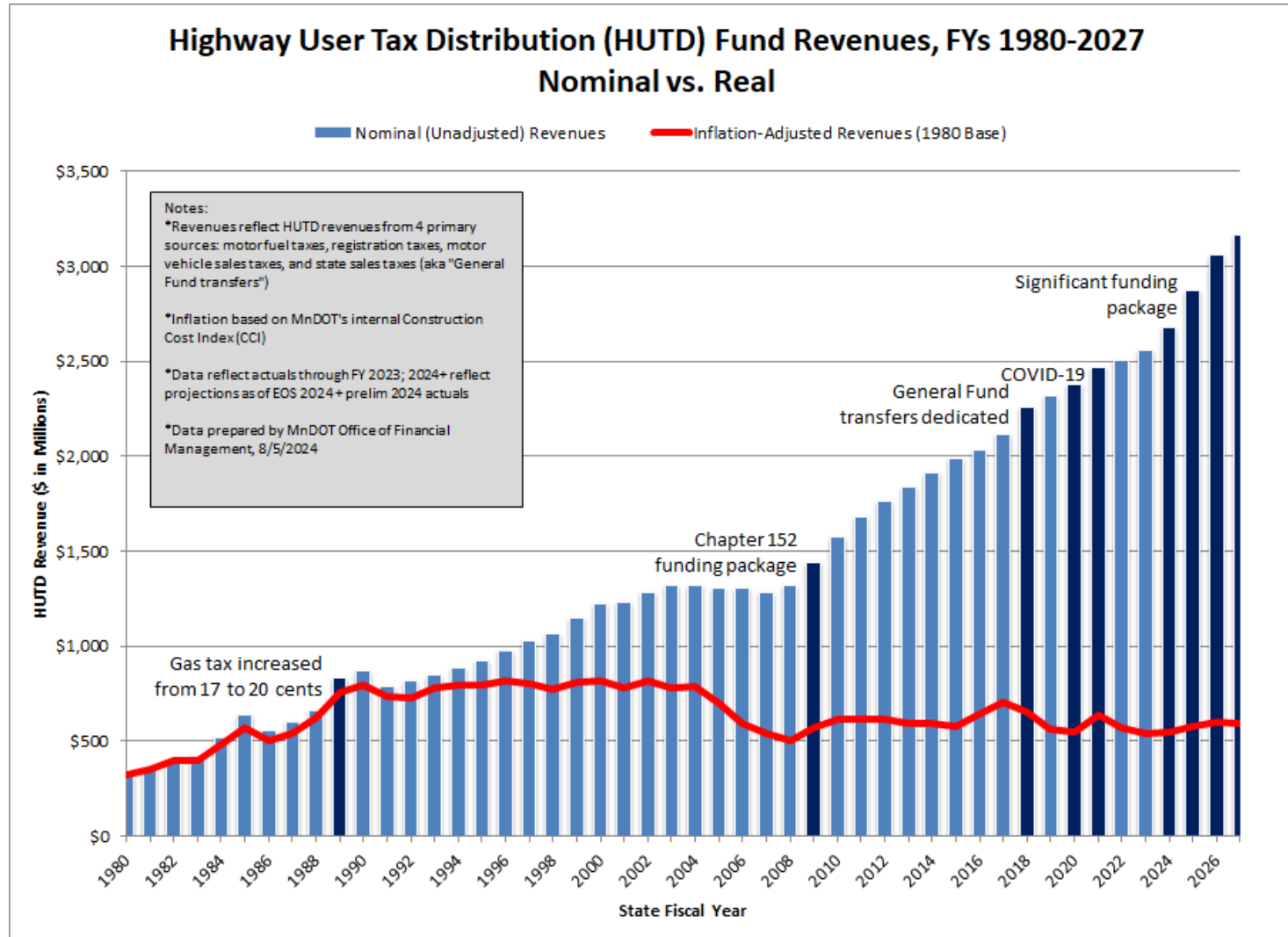
- Gas taxes:
  - Currently 28.5 cents/gallon
    - 25 cent “normal” gas tax (last increased from 20 cents in 2008)
    - 3.5 cent debt service surcharge (dedicated to repaying \$1.78B of Trunk Highway bonds in 2008)
    - Will increase with inflation in future years, tied to MnDOT Construction Cost Index (“CCI”)
    - Estimated to increase 3.3 cents on 1/1/2025, 5.0 cents cumulative through FY 2027
- Tab fees:
  - 1.575% of MSRP, depreciates over 10 years
- MVST:
  - 6.875% of purchase price (new and used)
  - Split 60% HUTD, 40% transit (34.3% Met Council, 5.7% MnDOT for Greater MN)
  - \$1.13B total collected in FY 2024 (largest individual revenue source)

# HUTD Revenues

## Year-over-Year Growth Rates

Revenue (FY 24 \$)	FY 20 (act)	FY 21 (act)	FY 22 (act)	FY 23 (act)	FY 24 (prelim act)	FY 25 (fcst)	FY 26 (fcst)	FY 27 (fcst)
Gas tax (\$887M)	-6.2%	-3.8%	5.5%	-1.2%	0.6%	2.1%	6.6%	1.1%
Tab fees (\$914M)	1.1%	5.1%	-3.6%	1.6%	9.3%	16.8%	10.0%	5.0%
MVST (\$677M)	0.0%	21.2%	0.4%	7.6%	6.4%	1.4%	2.5%	3.9%
State sales taxes (\$200M)	119.0%	-8.4%	9.3%	3.3%	-2.4%	5.6%	3.3%	3.1%
Other (\$18M)	-26.1%	-15.5%	18.6%	194.9%	33.9%	-12.2%	-28.6%	-7.2%
<b>Total (\$2.7B)</b>	<b>2.4%</b>	<b>3.9%</b>	<b>1.5%</b>	<b>2.5%</b>	<b>4.8%</b>	<b>7.1%</b>	<b>6.5%</b>	<b>3.3%</b>
<i>MnDOT CCI</i>	5.6%	-10.0%	13.3%	7.2%	4.0%	1.0%	3.0%	4.0%

# Minnesota Highway User Tax Revenue History of Annual Revenues



# Registration Taxes

- Tax rate:
  - 1.575% of MSRP (as of 1/1/2024)
  - Was 1.2875% of MSRP
- Total vehicles:
  - 6.27M (\$141/vehicle)
    - 5.3M passenger vehicles (\$152/vehicle)
    - 1.0M “other” (\$84/vehicle)
      - 485k trailers
      - 202k motorcycles
- Electric vehicles:
  - 41,725 (0.8% of passenger vehicles)
    - 5,254 in 2019 (51% CAGR over 5 years)
  - \$75 surcharge in addition to other taxes
  - ~\$3M in additional revenues
  - If MSRP > ~10%, EVs contribute more taxes in total than comparable ICE vehicle



# Registration Taxes – Other States

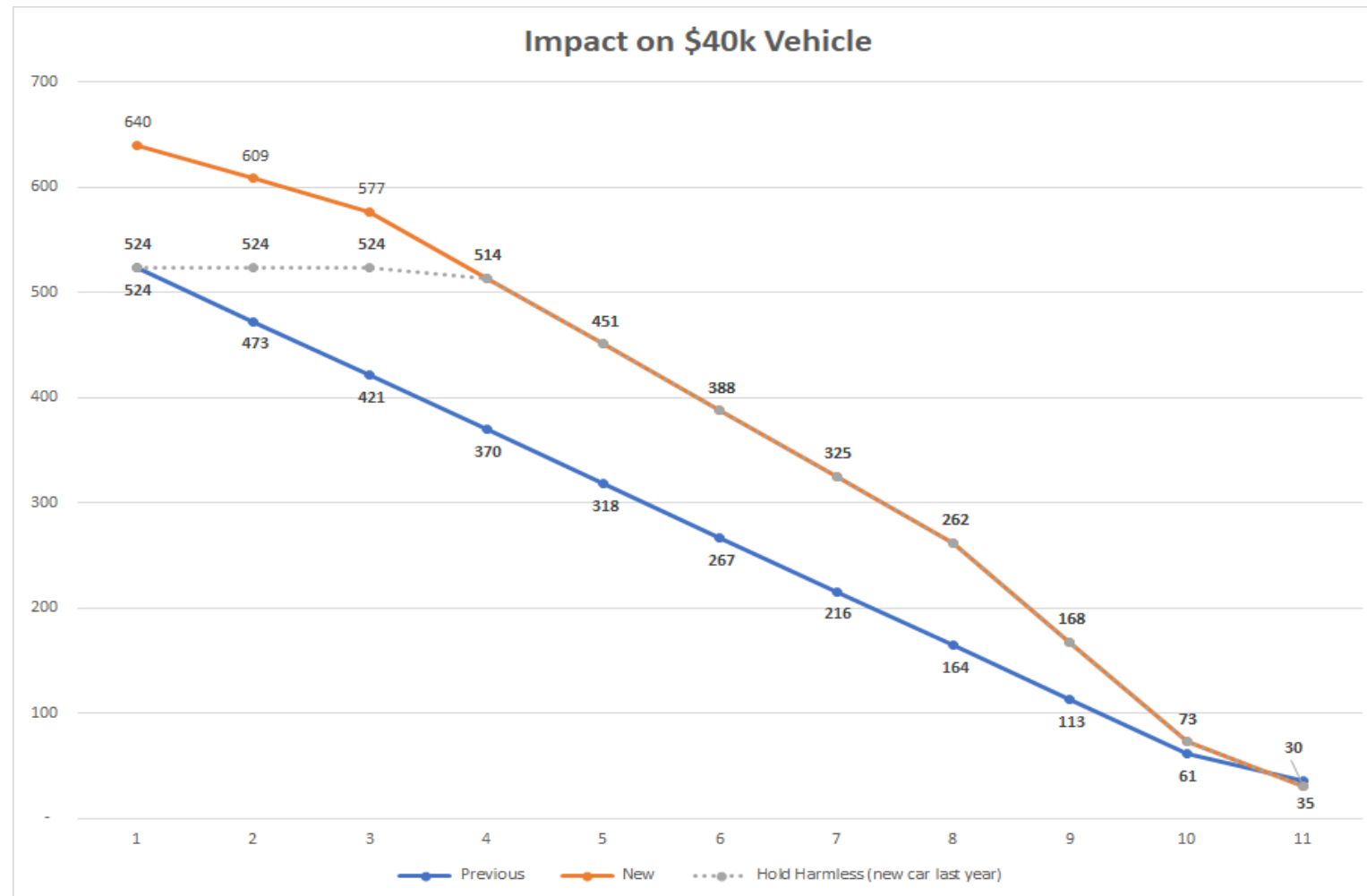
- Broad categories of registration taxes (states can report multiple):
  - Flat rate: 40 states
  - Weight based: 18 states
  - Value based: 8 states (including MN)
  - Age based: 13 states (including MN)
  - “Other”: 2 states (Missouri: horsepower; Oregon: MPG)
- Neighbors:
  - Wisconsin: flat \$85
  - Iowa:
    - Years 1-7 @ 1% of MSRP (+\$0.40/pound)
    - Years 8-9 @ 0.75% of MSRP (+\$0.40/pound)
    - Years 10-11 @ 0.5% of MSRP (+\$0.40/pound)
    - Years 12+ fixed \$50 (+\$0.40/pound)
  - North Dakota: from \$49-\$274 based on weight and age
  - South Dakota: from \$36-\$188 based on weight and age

# Registration Taxes – Depreciation Schedule for \$40,000 vehicle

Year	Previous Tax Structure			New Tax Structure (effective 1/1/2024)		
	Rate	Depreciation %	\$	Rate	Depreciation %	\$
1	1.285%	100%	524	1.575%	100%	640
2	1.285%	90%	473	1.575%	95%	609
3	1.285%	80%	421	1.575%	90%	577
4	1.285%	70%	370	1.575%	80%	514
5	1.285%	60%	318	1.575%	70%	451
6	1.285%	50%	267	1.575%	60%	388
7	1.285%	40%	216	1.575%	50%	325
8	1.285%	30%	164	1.575%	40%	262
9	1.285%	20%	113	1.575%	25%	168
10	1.285%	10%	61	1.575%	10%	73
11+	\$25.00		35	\$20.00		30

# 2023 Legislative Session HUTD – Registration Tax

- Registration tax:
  - Rate increased to 1.575% (from 1.285%)
  - Depreciation schedule “slowed” down
  - Effective 1/1/2024
  - “Hold harmless” provision still applies
  - FY 2027 additional revenue = ~\$287M (~30% increase)



# Available Resources

- MnDOT transportation revenues forecast: <https://www.dot.state.mn.us/funding/index.html>
- DVS Motor Vehicle County Summary Report: [CY 23 Annual County Summary Report \(mn.gov\)](#)
- MN electric vehicle dashboard: [EValueMN – Atlas Public Policy \(atlaspolicy.com\)](#)
- Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation: [apps.trb.org/cmsfeed/TRBNetProjectDisplay.asp?ProjectID=5077](https://apps.trb.org/cmsfeed/TRBNetProjectDisplay.asp?ProjectID=5077)

# Questions?

**Thank you!**

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