



MOTOR VEHICLE SALES TAX



WHO



COST TO COLLECT



LONGEVITY



RELIABILITY



IMPLEMENTATION



AROUND THE NATION



Minnesota

In the past in Minnesota, revenues collected from the sales of motor vehicles were split between the state's Highway Trust Fund and the General Revenue Fund. Since 1980, incremental proposals have been made to allocate revenue over to transportation.

In 2005, the state legislature approved legislation that placed a constitutional amendment proposal ballot measure dedicating all motor vehicle sales tax revenue to transportation.

In 2006, the measure was approved by 57 percent in favor.

This constitutional amendment established a floor for allocation of funds for transit-related purposes and a ceiling for allocation to highways, requiring:

< 40% go to public transit assistance.

> 60% go to the state's Highway Trust Fund.

This amendment also included a phase-in period for shifting revenue from the state's General Revenue Fund that occurred from fiscal years 2008 through 2012.

More Information: tti.tamu.edu/policy/how-to-fund-transportation

Description

Texas imposes a 6.25 percent motor vehicle sales tax on the sales price (minus any trade-in allowance). Collecting counties retain 5 percent of the revenue, and an additional small portion is allocated to the Property Tax Relief Fund and the Emissions Reduction Plan Account. The remaining portion goes in the General Revenue Fund.

Increasing the motor vehicle sales tax rate or dedicating 100 percent of revenue from this tax to the State Highway Fund rather than the General Revenue Fund could be one way to help meet future transportation needs in the state.

How Will This Help?

- Provides new additional funds for transportation maintenance and congestion reduction.
- Helps transportation funds keep pace with rising highway construction costs and reduced fuel tax revenues as vehicles become more fuel efficient.

- Reduces the need for borrowing to finance transportation improvements.

What's the Downside?

- The legislature and the public generally oppose tax or fee increases.
- Revenues are economically driven. The revenue created is dependent upon the number and value of vehicles purchased and can fluctuate with economic cycles.
- Shifting the entire motor vehicle sales tax to the Highway Fund does not create new revenues but shifts monies from one account to another. The Highway Fund gain would result in a General Revenue Fund loss.
- Raising this sales tax and dedicating the increase to transportation lowers the likelihood of the public accepting an additional motor vehicle sales tax increase for general revenue funding.

ESTIMATED FUND YIELD FROM 2016-2019

Baseline collection: \$9.4 billion in vehicle sales and use tax is estimated to be deposited in the General Revenue Fund from 2016 to

2017 and \$10.9 billion from 2018 to 2019.

One percentage point increase: \$3.2 billion more for transportation.

