DEPARTMENT OF REVENUE

Special Session Omnibus Transportation Bill

June 30, 2025

State Taxes Only

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 0014 (Koegel) / S.F. 0018 (Dibble)

	Fund Impact			
	F.Y. 2026	**F.Y. 2027**	**F.Y. 2028**	**F.Y. 2029**
		($000s)		
General Fund				
Electric-Assisted Bicycle Rebate	$0	$0	$0	$0
Met Council Withholding	$0	$1,830	$1,920	$2,010
Property Tax Refund Interaction	$0	($1,380)	($1,440)	($1,510)
Income Tax Interaction	$0	($450)	($480)	($500)
Passenger Rail Account Transfer Delay	$0	$0	$8,120	$8,240
Auto Parts Sales Tax Transfer	$1,820	$9,460	$29,310	$54,210
General Fund Total	**$1,820**	**$9,460**	**$37,430**	**$62,450**
Highway User Tax Distribution Fund				
Auto Parts Sales Tax Transfer	($1,820)	($9,460)	($29,310)	($54,210)
Electric Vehicle Surcharge Increase	$6,320	$16,980	$22,390	$30,800
Kilowatt Hour Tax - Charging Stations	$0	$0	$1,600	$2,400
HUTD Fund Total	**$4,500**	**$7,520**	**($5,320)**	**($21,010)**
Special Revenue Fund				
Retail Delivery Fee Exemptions	($230)	($360)	($360)	($360)
Total – All Funds	**$6,090**	**$16,620**	**$31,750**	**$41,080**

EXPLANATION AND ANALYSIS OF THE BILL

Electric Vehicle Registration Surcharge Increase (Article 2 Sections 15-17)
Effective the day following final enactment and applies to taxes payable for a registration period starting on or after January 1, 2026.

Current Law: A surcharge of $75 is currently imposed on all-electric vehicles in addition to the motor vehicle registration tax. Revenue generated from the surcharge is deposited into the Highway User Tax Distribution Fund (HUTDF).

Proposed Law: The bill would increase the surcharge on all-electric vehicles by changing the surcharge from a flat fee of $75 to the greater amount of either:

1) 0.5% of the manufacturer's suggested retail price multiplied by a percentage based on the vehicle's year of life; or
2) $150 for a registration period beginning on or after January 1, 2026, and before July 1, 2027; or $100 for a registration period beginning on or after July 1, 2027.

EXPLANATION AND ANALYSIS OF THE BILL (CONT.)

The bill would also impose a surcharge on plug-in hybrid electric vehicles in addition to the motor vehicle registration tax. The surcharge would be the greater amount of either:

1) 0.25% of the manufacturer's suggested retail price multiplied by a percentage based on the vehicle's year of life; or
2) $75 for a registration period beginning on or after January 1, 2026, and before July 1, 2027; or $50 for a registration period beginning on or after July 1, 2027.

Additionally, the bill would remove the hold-harmless provision for all-electric and plug-in hybrid electric vehicles stating that for any vehicle previously registered in Minnesota, the total amount of registration tax payment due must be no more than the smallest total amount previously paid or due on the vehicle.

Revenue generated from both types of surcharges would be deposited into the HUTDF.

- The estimated fund impact is provided by the Minnesota Department of Transportation.

Retail Delivery Fee Exemptions (Article 2 Sections 28-30)
Effective the day following final enactment for retail deliveries made after June 30, 2025.

Current Law: A fee of $0.50 is imposed on retail sales transactions equaling or exceeding $100 involving retail deliveries in Minnesota. The fee is imposed on retail deliveries involving items subject to the sales and use tax. The fee is also imposed on retail deliveries involving clothing.

Proposed Law: The bill would exempt retail deliveries resulting from the retail sale of fuel products and road construction materials purchased by and delivered to a political subdivision, trade, or business. Fuel products are defined as liquefied natural gas or liquefied petroleum gas. Road construction materials are defined as street or highway construction materials including aggregate, hot mix asphalt, plastic concrete, cementitious materials, concrete admixtures, asphalt cement, and recycled road materials.

- It is estimated that the retail delivery fee will generate $35 million in fiscal year 2026 and $50 million in fiscal years 2027, 2028, and 2029.
- Information from the Energy Information Administration (EIA) was used to inform the estimates.
- It is estimated that commercial consumption of liquid fuels in Minnesota in 2023 totaled $200 million.
- It is assumed that half of the commercial consumption is for taxable space heating and subject to the delivery fee.
- It is estimated that commercial liquid fuel subject to the delivery fee accounts for 0.04% of the sales tax base.
- It is assumed that the share of transactions subject to the retail delivery fee for commercial liquid fuel is equivalent to its share of the sales tax base.
- The estimates are reduced to account for fewer transactions on commercial liquid fuel than the average sales taxable product.

EXPLANATION AND ANALYSIS OF THE BILL (CONT.)

- It is estimated that typical annual state spending on Minnesota roadways is $1.7 billion.
- The estimates are reduced to account for fewer transactions on road construction materials than the average sales taxable product.
- It is estimated that road construction materials subject to the retail delivery fee accounts for 0.7% of the sales tax base.
- It is assumed that the share of transactions subject to the retail delivery fee for road construction materials is equivalent to its share of the sales tax base.
- The fiscal year 2026 estimate is reduced for eleven months of collections.

Passenger Rail Account Transfer (Article 2 Section 63)
Effective beginning the day following final enactment.

Under laws passed during the 2024 session, 50 percent of the portion of the state general tax levied on railroad operating property must be transferred from the general fund to the passenger rail account each year beginning in July 2027. The proposal delays the first transfer to the passenger rail account by two years, meaning the first transfer would be made in July 2029.

- By delaying the first transfer to the passenger rail account, the money that would have been transferred would instead remain in the general fund. This amounts to $8.12 million in fiscal year 2028 and $8.24 million in fiscal year 2029.

Electric-Assisted Bicycle Rebate (Article 2 Sections 64-66)
Effective for rebates after December 31, 2024.

Current Law: Individuals may receive a rebate certificate for 50% to 75% of eligible expenses related to an electric assisted bicycle and any qualifying accessories. The maximum rebate is $1,500. An eligible individual must be at least 15 years old, a Minnesota resident, and not claimed as a dependent on another tax return.

The rebate percentage is 75%, reduced by one percentage point for each $4,000 of adjusted gross income over $50,000 for married joint filers and $25,000 for all other filers, to a minimum of 50%.

Total rebate certificates issued must not exceed $2 million in calendar years 2024 and 2025.

The Commissioner of Revenue allocates the rebate certificates on a first-come, first-served basis, except that 40% of the certificates must be reserved for taxpayers with adjusted gross income of less than $78,000 for married joint filers or $41,000 for any other filers.

Proposed Law: The bill reduces the maximum rebate and eliminates the phase-out of the rebate percentage. The rebate would equal the lesser of 75% of eligible expenses paid by an individual or $750.

EXPLANATION AND ANALYSIS OF THE BILL (CONT.)

Eligibility for the rebate would be limited to individuals who:

- Has filed an income tax return for the two taxable years before the calendar year in which the individual applies for a rebate certificate; and meets either (1) or (2):
- (1) Is a person with a disability, defined as a person who:
    - Receives social security disability benefits under United States Code, title 42, sections 401 to 434; or
    - Is under the age of 65 and receives supplemental security income benefits under United States Code, title 42, sections 1381 to 1385; or
    - Receives home and community-based disability waiver services under section 256B.092 or 256B.49.
- (2) Had AGI in the prior year that was not more than $78,000 for married joint filing individuals, $62,000 for an individual who filed a return as a head of household, or $41,000 for all other individuals.

If the number of applicants exceeds the available allocation of rebate certificates, the bill requires that credits be allocated through a random lottery, rather than on a first-come, first-served basis.

If a random lottery is used, the Commissioner of Revenue must, by August 1, 2025, determine a suitable randomized method to allocate certificates, establish a method for eligible individuals to apply, detail the anticipated timeline for the lottery, and announce the amount of certificates available to be distributed.

- The bill will have no fiscal impact as it is assumed that the remaining funds from the $2 million authorized for 2024 and the entire $2 million authorized for 2025 will be issued as rebate certificates. It is possible that not every rebate certificate issued will be claimed.
- The bill reduces the maximum rebate by half, increasing the number of applicants who will receive a rebate. At $750 each, there would be sufficient funding for about 2,667 rebates.
- According to the Social Security Administration, there were roughly 7.36 million disabled workers receiving benefits in 2023. Using Minnesota's 1.71% share of the national population, there are an estimated 126,200 disabled workers receiving these benefits in Minnesota.
- The 2017 Minnesotans with Disabilities: Demographic and Economic Characteristics report published by the Minnesota State Demographic Center has 2015 data on the number of Minnesotans with each of the six disability types defined in the American Community Survey.
- It is assumed that Ambulatory, Cognitive, and Hearing disabled persons are the most likely to utilize an electric-assisted bicycle. After scaling the 2015 figures to 2023 using Minnesota population, there are roughly 81,000 disabled workers in Minnesota with Ambulatory, Cognitive, and Hearing disabilities. The estimate assumes 5% of these disabled workers would apply for a rebate certificate, for a total of roughly 4,050 applications.
- It is unknown how many Minnesota residents are under 65 and receiving benefits under U.S. Code, title 42, sections 1381 to 1385 or receive home and community-based disability waiver services under section 256B.092 or 256B.49.
- While it is assumed that applications will come from eligible individuals who meet the income limitations and persons with disability, the estimated number of applications from eligible persons with disabilities alone would require a lottery.

EXPLANATION AND ANALYSIS OF THE BILL (CONT.)

Number of Taxpayers: In 2024, about 1,500 certificates were issued totaling $2.0 million, with 1,300 of those being claimed for a total of $1.8 million. In 2025, up to 2,667 certificates could be issued.

Kilowatt Hour Tax on Electricity from Public Charging Stations (Article 2 Section 76)
Effective on and after July 1, 2027.

Current Law: The sale of electricity is subject to the 6.875% state sales tax. Electricity is exempt from the sales tax if sold for residential use during the billing months of November, December, January, February, March or April; so long as the customer utilizes it as the primary source of residential heat.

Proposed Law: On and after July 1, 2027, a tax of five cents per kilowatt hour of electricity is imposed on all public charging station operators for electricity sold as vehicle fuel at a public charging station. Revenue is deposited into the Highway User Tax Distribution Fund.

The tax does not apply to electric vehicles charged at private residences, public charging stations with a charging capacity less than 50 kilowatts, or public charging stations that do not require payment for use. Legacy chargers, public stations in operation prior to October 1, 2023 and that do not have a metering system capable of measuring electricity delivered as fuel to an electric vehicle, are exempt from the electric fuel tax until January 1, 2032.

- The electric vehicle surcharge forecast from February 2025 was used.
- It is estimated that the average vehicle in Minnesota travels about 11,000 miles per year and the average electric vehicle will consume about 3,300 kilowatt-hours of electricity in a year.
- About 80% of electric vehicle charging takes place at private residences and homes. The remaining 20% of charging occurs at public charging stations.
- It is estimated that 60% of public charging stations will be exempt until 2032 as legacy chargers.
- The fiscal year 2028 estimate is adjusted for eleven months of impact.

Auto Parts Sales Tax Transfer (Article 2 Section 79)
Effective beginning the day following final enactment.

Each fiscal year, 43.5% of the revenue derived from the 6.5% sales and use tax imposed on the sale and purchase of motor vehicle repair and replacement parts is deposited in the state treasury and credited to the Highway User Tax Distribution Fund.

The bill would reduce the percentage of revenue deposited into the HUTDF to 43% in fiscal year 2026, 41% in fiscal year 2027, 36% in fiscal year 2028 and 30% in fiscal year 2029. The difference in revenue from 43.5% would be deposited into the General Fund each fiscal year.

EXPLANATION AND ANALYSIS OF THE BILL (CONT.)

- The Department of Revenue Consumption Tax Model was used to estimate expenditures on motor vehicle repair and replacement parts. It is estimated that approximately, on average 4.5% of the General Fund sales tax revenue is attributable to motor vehicle repair and replacement parts for fiscal year 2025.
- The February 2025 forecast of sales tax collections at 6.5% are used to estimate the transfers.

Metropolitan Council Regional Transit Bonding Authority (Article 2 Sections 98-99)
Effective beginning the day following final enactment.

The bill would authorize the Metropolitan Council to issue up to $110.8 million in certificates of indebtedness, bonds, or other obligations for capital expenditures prescribed in the council's transit capital improvement program. Of the total authorization, the council may issue debt obligations of up to $54.6 million after July 1, 2025, and $56.2 million after July 1, 2026.

The proposal requires the commissioner of revenue to annually estimate on June 30 of each year, the total reduction of funds in the state general fund in the following fiscal year from the increase in the Met Council's debt service levy. The estimate includes but is not limited to the state's property tax refund programs and individual income tax collections. Beginning in fiscal year 2027, the commissioner of revenue is required to retain revenue from the metro area transportation tax and deposit into the general fund.

- The estimate is based on the February 2025 forecast.
- Bonding principal and interest will be paid by increasing property tax levies.
- Based on data from the Metropolitan Council, the new bonding authority will increase the debt service levy by $23.54 million in taxes payable year 2026, $24.64 million in taxes payable year 2027, and $25.76 million in taxes payable year 2028.
- Increased debt service levies would increase taxes on homesteads beginning in taxes payable 2026. The increased taxes on homesteads would increase property tax refunds by $1.38 million in fiscal year 2027, $1.44 million in fiscal year 2028, and $1.51 million in fiscal year 2029.
- Additional deductions for income tax itemization would lower income tax receipts by $450,000 in fiscal year 2027, $480,000 in fiscal year 2028, and $500,000 in fiscal year 2029.
- It is estimated the transfer to the state general fund would be $1.83 million in fiscal year 2027, $1.92 million in fiscal year 2028, and $2.01 million in fiscal year 2029.

Minnesota Department of Revenue
Tax Research Division
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