

**HF3562 - 0 - Motor Vehicle Registration Tax Modified**

Chief Author: **Patti Anderson**  
 Committee: **Transportation Finance and Policy**  
 Date Completed: **3/3/2026 2:32:30 PM**  
 Agency: **Public Safety Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
<b>Local Fiscal Impact</b>		
	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Laura Cecko      **Date:** 3/3/2026 2:32:27 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
Restrict Misc Special Revenue	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Restrict Misc Special Revenue						
Expenditures	-	-	27	-	-	-
Absorbed Costs	-	-	(27)	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
Restrict Misc Special Revenue	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill proposes modifying registration tax calculations for passenger class vehicles. For vehicles initially registered before Nov. 16, 2020, it would lower the percentage of the manufacturer’s suggested retail price (MSRP) from 1.54% to 1.25% and for vehicles initially registered on or after Nov. 16, 2020, it would lower the percentage of the MSRP from 1.575% to 1.285%.

In addition, it would lower the percentage of the MSRP used in the calculation based on the year of vehicle life beginning with the second year of vehicle life.

These changes would take effect with registration periods starting on or after January 1, 2027.

**Assumptions**

DVS currently allows vehicle owners to renew their registration up to six months in advance of their expiration date. A temporary change to the system will be made to shorten this window of time to 60 days, allowing the DVS vendor enough time to implement system changes needed to calculate the lower percentage rate for registration periods starting on or after January 1, 2027.

The DVS vendor will complete the necessary system changes to MNDrive before November 1, 2026, to allow DVS time to proof the renewal notices that are generated for the first affected registration period that begins on Jan. 1, 2027.

System changes needed to accommodate the bill proposal will require 120 hours of MNDrive programming by the vendor to configure the new registration tax calculation rates, update any transaction-related needs, update help topics and other areas of the system. For FY 2027, the vendor’s hourly rate is \$227.10 for a total programming cost of \$27,252 (120 hours x \$227.10 per hour = \$27,252). These costs will be absorbed by the current vendor contract with DVS.

**Expenditure and/or Revenue Formula**

MN Drive programming = \$27,252 (absorbed)

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

There may be an impact on local units of government that utilize the highway user tax distribution (HUTD) fund that registration taxes partially fund.

**References/Sources**

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