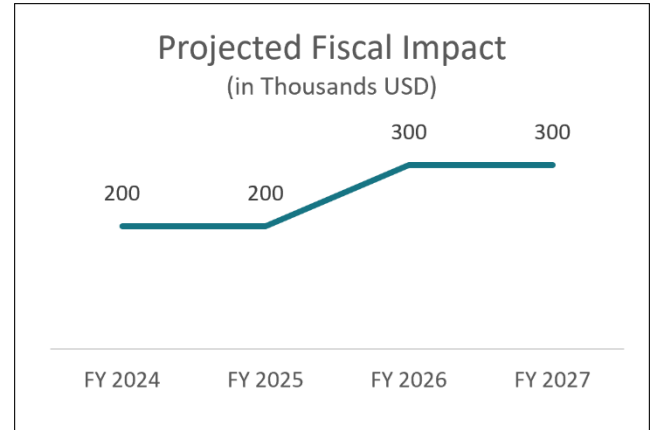


Commercial Driving Schools

Tax Expenditure Initial Review - TEB 14.1.08

Tax Expenditure Facts

Year Enacted	1999
Statute	Minnesota Statutes 2025, section 168.012, subdivision 1(a)(7)
Tax Type	Motor Vehicle Registration Tax
Provision Type	Exemption
Latest Fiscal Impact Estimate	\$300,000 – Fiscal Year 2027
Latest Claims Estimate	~150 Driving Schools
Expiration Date	None



Tax Expenditure Description

A vehicle owned by a licensed commercial driving school, or by an employee of the school, and used exclusively for driver education and training is exempt from the motor vehicle registration tax.

Additional Background Information

This exemption was enacted in 1999 and last modified in 2000 to extend the exemption to vehicles owned by an employee of a licensed commercial driving school, as long as the vehicle is used exclusively for driver education and training.ⁱ Additionally, vehicles owned by public schools for driver education have been exempt from the motor vehicle registration tax since 1921.ⁱⁱ Vehicles used for driver education programs at non-public schools are also exempted from the motor vehicle registration tax under Minnesota Statutes section 168.012.ⁱⁱⁱ

Approximately 150 commercial driving schools in Minnesota qualify for this exemption although it's unclear if all eligible commercial driving schools actually claimed the exemption. Any vehicle owned or used by a driver education program and used exclusively for instruction must meet the vehicle requirements under Minnesota Rules 7411.0850.^{iv} The exemption is administered by the Department of Public Safety's Driver and Vehicle Services. The beneficiaries of this exemption are the commercial driving schools in Minnesota. The exemption reduces the amount of Motor Vehicle Registration tax that would otherwise be deposited in the Highway User Tax Distribution Fund and be distributed to other transportation funds in accordance with Minnesota Constitution article 14.^v

Proposed Tax Expenditure Objective for Consideration

The objective of the Commercial Driving Schools Exemption is to extend the same tax benefit to commercial driving schools that public and nonpublic schools receive for providing driver education training by reducing the operational costs related to vehicle registration.

Sources

This tax expenditure objective is based on bill testimony during a hearing from the 1999 Regular Legislative Session on SF1434, a stand-alone bill that exempted commercial driving schools from the Motor Vehicle Registration tax. The bill was heard in the Senate Transportation/State Government Finance committee on March 26, 1999.^{vi} Ultimately, the language was incorporated into the 1999 Transportation Omnibus bill HF2387, Article 2, Section 3.

Potential Metrics and Performance Measures

Identifying the number of licensed commercial driving schools in Minnesota and determining the number of vehicles that are used exclusively for driver education training may identify the utilization rate of the exemption by determining the number of tax-exempt license plates issued to licensed commercial driving schools by the Department of Public Safety.^{vii}

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2025, section 3.8855, subdivision 4.

Notice: Proposed Tax Expenditure Objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the [Tax Expenditure Review Commission website](#).

ⁱ Laws of Minnesota, 2000, chapter 490, article 13, section 4.

ⁱⁱ Laws of Minnesota 1921, chapter 461, section 2.

ⁱⁱⁱ Minnesota Statutes 2025, section 168.012, subdivision 1(a)(3).

^{iv} Minnesota Rules, part 7411.0850, subpart 1 (2004).

^v Minn. Const. art. XIV, sec. 5.

^{vi} [Minn. Sen., Hearing on SF1434 before the Sen. Comm. On Transportation/State Government Finance, 81st Minn. Leg., Reg Sess. \(3/26/1999\)](#). <https://www.lrl.mn.gov/media/file?mtgid=811129>.

^{vii} Department of Public Safety Drivers and Vehicle Services. [Local Tax Exempt License Plates](#). <https://dps.mn.gov/divisions/dvs/vehicle/license-plates/tax-exempt-license-plates/local-tax-exempt-license-plates>.