

# FINANCE & COMMERCE



Customers fill up Monday at an SuperAmerica gas station on East Lake Street at 44th Ave S. in Minneapolis Motorists may soon be paying more for gas if a new transportation funding proposal becomes law. (Staff photo: Bill Klotz)

## Bill calls for 'gross receipts' sales tax on gas

By: Brian Johnson March 3, 2014 4:37 pm 1 Comment

A state transportation bill introduced last Friday includes a gas sales tax that would help road improvement funds keep pace with inflation, an idea that has the strong support of transportation backers but is likely to face stiff resistance in an election year.

The legislation calls for a 5 percent "gross receipts tax" or gas sales tax that would complement the existing gas excise tax. Unlike the existing tax, revenue from the sales tax would rise or fall with the price of gas.

Transportation advocates like Margaret Donahoe of the [Minnesota Transportation Alliance](#) say it would give the state more purchasing power to address its increasing transportation needs.

"It's not revolutionary," Donahoe said. "As the price of goods and services goes up, revenue from the general sales tax in Minnesota naturally increases. ... In transportation we don't have that. We have a fuel tax that doesn't keep up with inflation, losing purchasing power every year."

The Senate bill, introduced by Senate Transportation Committee Chair Scott Dibble, DFL-Minneapolis, authorizes \$800 million over four years for the state's Corridors of Commerce program.

It also calls for \$200 million over four years for the state's Transportation Economic Development program, local excise taxes for mass transit, and distribution of existing leased motor vehicle sales taxes to highways and transit.

A similar bill was introduced in the House by Rep. Frank Hornstein, DFL-Minneapolis, chair of the House Transportation Finance Committee.

Hornstein said the Republican-controlled Virginia assembly passed a gross receipts tax for that state's transportation needs.

"This is a trend that is happening nationally," he said Monday.

The leased vehicle proposal would generate \$32 million in new transportation funding "without raising one penny in new taxes," according to Move MN, a transportation coalition that counts includes 150 member organizations.

But for transportation lobbyists, it won't be easy to persuade the Legislature to go along with the gas sales tax idea, especially in an election year when tax increases are always a hard sell.

Though the gas sales tax has the backing of the House and Senate transportation committee chairs, other legislative

leaders aren't on board with the concept.

Rep. Michael Beard, R-Shakopee, said he would be open to using some of the state budget surplus for road and bridge improvements, but he's opposed to a gas sales tax increase.

The existing gas tax is constitutionally dedicated to transportation and is more transparent and easier to administer than a sales tax, said Beard, the Republican lead on the House Transportation Finance Committee.

"What happens if oil falls to \$60 a barrel?" Beard said. "It could happen. Now what? They are going to be back here a couple of years from now with the same battle cry, 'We need a reliable, stable source of funding.'"

As Finance & Commerce [reported](#) in February, legislative leaders from both parties said at a TwinWest Chamber of Commerce event that a gas tax increase is a long shot in 2014.

Other proposals in the legislation may be more likely to garner broad support, including efforts to squeeze more money out of existing transportation revenue sources.

For example, there's a provision to get more flexibility in the allocation of federal transportation dollars.

When local governments receive even a small amount of federal funding they have to follow federal requirements that can be costly and time-consuming.

A provision in the transportation bills would reduce administrative costs and cut through federal red tape by authorizing the Minnesota Department of Transportation to concentrate federal funds on fewer projects, Donahoe said.

The legislation would also make changes to the state's Right-of-Way Acquisition Loan Fund, which provides loans to cities for the purchase of right of way that will be needed for future highway projects.

Under the legislation, the right-of-way loan program would be expanded to cover Greater Minnesota and to include mass transit projects in the metropolitan area.

Still, efficiencies alone won't address the growing needs of the state's road and bridges, transportation lobbyists say.

A December 2012 report from Gov. Mark Dayton's Transportation Funding Advisory Committee said the state faces a \$20 billion funding gap over the next 20 years just to keep up with current needs.

"We can save 10, 15 percent, maybe, of future needs in transportation through improved efficiency," Donahoe said. "But that still leaves 85 percent of the problem. The only way to deal with that is going to be additional revenue."

Tim Worke, director of the Associated General Contractors of Minnesota's highway and transportation division, said the existing motor fuel excise tax has its limitations because people are consuming less gasoline and driving more efficient vehicles.

A gas sales tax would offer a more sustainable approach to generating revenue for transportation projects, he said.

New revenue sources are needed because traditional sources can't be counted on, according to Hornstein.

The federal government's Highway Trust Fund is scheduled to run dry in August unless Congress approves more revenue, and the state doesn't have the capacity to borrow more money for transportation.

"We have a fiscal cliff at both the federal and state level in transportation funding," Hornstein said.

MnDOT is tracking the legislation, according to department spokesman Kevin Gutknecht.

MnDOT Commissioner Charlie Zelle "has spent a good share of time in the past year talking with Minnesotans about transportation funding and the long-term need," Gutknecht said in an email. "While we won't speak to the specifics of the legislation, we clearly agree there is a need to find a long-term and sustainable funding solution."

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## ONE COMMENT



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