

Frequently Asked Questions

Wheelage Tax

What is a Wheelage Tax?

A wheelage tax is a tax added to a vehicle registration fee (license plate tabs) that is paid to the county to provide funding for local transportation projects. *Minn. Statute 163.051, COUNTY WHEELAGE TAX provides the specifics of the law.*

How Do Counties Enact the Wheelage Tax?

- County boards may levy a wheelage tax by resolution.
- Once enacted, the county board may choose to collect the tax directly or have the state collect the tax on their behalf as part of the tab renewal process (all of the counties that currently have a wheelage tax have chosen to have the state do collection).
- **Counties that intend to enact the tax and have the state do collection beginning on January 1, 2018, must notify the state of their intent by August 1, 2017.** Contact Dawn Olson, Director of DPS's Driver and Vehicle Services Division at dawn.olson@state.mn.us or 651-201-7580.
- Counties that have previously implemented a wheelage tax do not need to take any action if they plan to keep their wheelage tax rate the same.
- If a county does not choose to implement a wheelage tax for next year, they still have the option to do so in future years by letting the state know by August 1 of any year for enactment the following year.

How Can Counties Use the Wheelage Tax Funds?

- Taxes may be used for "highway purposes" within the meaning outlined in Article 14 of the Minnesota Constitution.
- Funds must be deposited in the county's Road and Bridge fund. There is no requirement for an off-set of county road and bridge or general levies for the wheelage tax, nor does the wheelage tax affect the CSAH distribution formula.

How Will the Wheelage Tax Funds Be Collected and Distributed?

- Taxes collected by the state will be paid to counties monthly.
- Taxes will be sent to the county where the vehicle is kept, regardless of whether the tabs are renewed in a different county or online.
- The state is entitled to recover administrative costs for collection. These are taken out of the collections by the state prior to payment so there is no additional transaction between the state and the county. Cost of collection has been between .5% and .7% (or 5-7 cents of every \$10), though that is based on just five counties and a \$5 wheelage tax. AMC has contacted the state to learn if all counties can assume similar levels of administrative costs and we will share that information when available.

How Will the Wheelage Tax Revenue Be Calculated?

- Beginning on January 1, 2018, the cap will be raised to \$20 per year and counties will have the flexibility to set the amount of the tax, in whole dollar increments, anywhere up to the cap.
- Vehicles are taxed in the county that corresponds to the address on the tab statement. If the vehicle is kept outside the county (i.e. at the owner's cabin), the owners can indicate change in the location where the vehicle is kept at the time of tab renewal.
- Several categories of vehicle are not subject to the wheelage tax, including: motorcycles and mopeds, trailers and semitrailers, vehicles not subject to annual registration (i.e. collector vehicles), tax exempt, and state owned vehicles.