

Bookmobiles

Tax Expenditure Initial Review - TEB 5.10

Tax Expenditure Facts

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|-------------------------------|------------------------------------------------------------|
| Year Enacted | 1994 |
| Statute | Minn. Stat. § 297B.03(8) |
| Tax Type | Motor Vehicle Sales Tax |
| Provision Type | Exemption |
| Latest Fiscal Impact Estimate | Less than \$50,000 per year |
| Latest Claims Estimate | Direct measure of this estimate is not currently available |
| Expiration Date | None |

Estimated fiscal impact is less than \$50,000 per year through fiscal year 2025.

Tax Expenditure Description

The purchase of a motor vehicle by or for a public library for use as a bookmobile or a library delivery vehicle is exempt from the motor vehicle sales tax.

Additional Background Information

According to the 2017 Minnesota Public Library Report, Minnesota has eight bookmobiles. Additionally, library service is available in all 87 counties. There are 141 public libraries and 12 regional public library systems in Minnesota. Twenty-seven libraries have multiple branches. Combined, there are 355 library locations throughout the state.¹

Beneficiaries of the current tax exemption are local units of government that utilize bookmobiles to provide library services to individuals who may have limited accessibility to a library building. This exemption is administered by the Department of Revenue and reduces the amount of motor vehicle sales tax revenue that would otherwise be generated. State motor vehicle sales tax collections are deposited in the state Highway User Tax Distribution Fund and the Transit Assistance Fund.

Proposed Tax Expenditure Objective for Consideration

The objective to exempt bookmobiles from the motor vehicle sales tax is to reduce costs paid by local government entities for providing access to library services to individuals who have limited accessibility to a library building.

Sources

An explicit tax expenditure objective was identified in the legislative record. During the 1994 legislative session S.F. 2176 was introduced, the bill exempted bookmobiles from the motor vehicle excise tax. The bill was heard in the Senate Taxes and Tax Laws Subcommittee on Income and Sales Tax on March 22, 1994. The testimony mentioned there were 22 bookmobiles in Minnesota operated by large cities, counties, or regional public libraries. In rural communities, bookmobiles are used to bring library services to people who do not live near a library building. In urban communities, bookmobiles primarily serve people who lack mobility to get to a

library building such as retirement homes and day care centers. Furthermore, the cost of purchasing and maintaining a bookmobile is a large expense for some local government entities, with bookmobiles costing approximately \$100,000, not including additional costs for installing wheelchair lifts. Bookmobiles generally last around ten years before needing to be replaced. Prior to enactment of this exemption, bookmobiles were subject to a 6.5% motor vehicle sales tax rate, although public libraries are not taxed, which was deemed to be an equity issue.ⁱⁱ In 2023, the Minnesota Legislature increased the motor vehicle sales tax rate from 6.5% to 6.875% effective beginning in tax year 2024. This change will increase the estimated cost of this tax exemption in future years.

The Library Services Act of 1956 greatly expanded bookmobile services, especially in rural communities. Since the early 1990's, however, there has been a decline in bookmobile services attributed to the rise of digital technology, which allows people to access information via the internet.ⁱⁱⁱ

Potential Metrics and Performance Measures

An analysis of the program's participation by submission of exemption certificates may identify historical trends in the use of the tax incentive.^{iv}

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 2023, 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 "Minnesota Public Library Structure, 2017" Minnesota Department of Education. June 7, 2018. <https://education.mn.gov/MDE/dse/Lib/sls/stat/>

ⁱⁱ Minn. Sen., Hearing on S.F. 2176 before the Sen. Comm. on Taxes and Tax Laws Subcommittee on Income and Sales Taxes. 78th Minn. Leg., Reg. Sess. (Mar. 22, 1994), Part 1 of 2 available at: <https://www.lrl.mn.gov/media/file?mtgid=782214>.

ⁱⁱⁱ Public Broadcasting Service. "A History of the Bookmobile." Premiered on July 19, 2011. Accessed on December 27, 2023. <https://archive.pov.org/biblioburro/bookmobile/>

^{iv} Minnesota Department of Revenue. (2019, July). Form ST3, Certificate of Exemption.