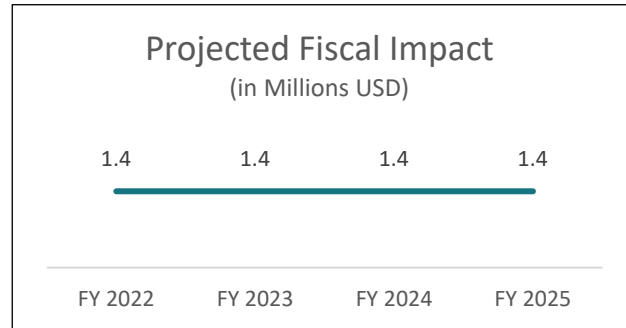


# Ready-Mixed Concrete Trucks

## Tax Expenditure Initial Review - TEB 5.12

### Tax Expenditure Facts

Year Enacted	1998
Statute	Minn. Stat. § 297B.03(9)
Tax Type	Motor Vehicle Sales Tax
Provision Type	Exemption
Latest Fiscal Impact Estimate	\$1,400,000 – Fiscal Year 2024
Latest Claims Estimate	Each year an estimated 150 vehicles qualify for this exemption.
Expiration Date	None



### Tax Expenditure Description

The purchase of a ready-mixed concrete truck is exempt from the motor vehicle sales tax.

### Additional Background Information

Members of the cement industry noted ready mix-concrete trucks are an integral part of the manufacturing process by facilitating the mixture of gravel, sand, concrete, and water which are the components of concrete, and therefore should be classified as capital equipment and be exempted from state sales tax.

According to audio testimony for standalone bill H.F.3575 from the 1998 session, classifying ready-mix concrete trucks as capital equipment allowed for more ease in administering the sales tax for concrete companies. Prior to enactment, concrete companies were exempt from paying sales tax on the delivery charge which was assessed based on many variables such as distance traveled and the time of day the concrete was delivered. Determining the exemption amount was administratively burdensome for concrete companies who were at times audited and fined for errors in applying the sales tax. The enacting legislation was intended to create more simplicity by allowing all sales of ready-mixed concrete to be subject to sales tax<sup>1</sup>.

The Department of Revenue determined an estimated 150 vehicles each year qualify for this exemption. 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 of the ready-mixed concrete truck exemption is to treat ready-mixed concrete trucks as capital equipment exempt from the motor vehicle sales tax due to their integral part of the manufacturing process.

## Sources

The proposed tax expenditure objective was derived from member discussion in committee, after hearing public testimony on the bill from industry representatives.<sup>ii</sup> Public testimony also mentioned other states, including Iowa<sup>iii</sup> and Wisconsin<sup>iv</sup> who passed legislation around the same time as Minnesota, are classifying ready-mixed concrete trucks to be part of the manufacturing process.

A standalone senate companion bill, S.F. 3208, was identified; however, no hearings were held during the 1998 session. 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.

## Potential Metrics and Performance Measures

An analysis of exemption certificates submitted for the purchase of ready-mix concrete trucks may identify trends in uptake of the tax incentive.<sup>v</sup>

## 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](mailto:lbo@lbo.mn.gov).

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

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<sup>i</sup> Minn. H, Hearing on H.F. 3575 before the H. Comm. on Taxes, 80<sup>th</sup> Minn. Leg., Reg. Sess. (Feb. 24, 1998) (audio file 1 of 2), available at <https://www.lrl.mn.gov/media/file?mtgid=802429>.

<sup>ii</sup> Ibid

<sup>iii</sup> Iowa Code Section 423.3(47).

<sup>iv</sup> Wisconsin Statutes, section 11.83(12).

<sup>v</sup> Minnesota Department of Revenue. (2019, July). Form ST3, Certificate of Exemption.