

2005 SENATE FINANCE AND TAXATION

SB 2314

#### 2005 SENATE STANDING COMMITTEE MINUTES

#### **BILL/RESOLUTION NO. SB 2314**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 2, 2005

Tape Number	Side A	Side B	Meter #
#1		X	13.0 - 33.3
#2	X		39.9 - 47.3
	$\cap$	2	

Minutes:

SEN. SYVERSON: appeared as prime sponsor with written testimony stating the purpose of this bill is at least twofold. One is to encourage the preservation of a part of our national heritage, and do it here in ND. The other is to encourage development that could be attendant with those old automobiles.

**SEN. WARDNER**: Do you know the requirements to qualify?

ANSWER: antique motor vehicle is 40 yrs or older and Classic is 25 yrs or older.

SEN. WARDNER: the fiscal note is less than \$2,000.

**ANSWER**: the MN statutes, they have a 1 time fee that they apply and please take whatever latitude you may want in that respect.

**DARREL GOETZFRIED**: on behalf of himself stating it would be nice to drive regularly around town and not just once a year.

SEN. WARDNER: do you consider this an investment?

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ANSWER: yes, shown as an income.

**SEN. WARDNER**: my point is we should be treating these transactions as an investment, like investing money, because its going to appreciate in value.

ANSWER: yes, you are right.

KEITH KISER: NDDOT appeared neutral on the bill stating we don't have a position on the bill but do support the amendment presented by Sen. Syverson. The bill simply says that to qualify for the reduced tax rate, the vehicle must be eligible for registration as an antique or collector vehicle. Eligibility in most cases depends on use and so you can't determine eligibility until the applicant requires the usage and so Sen. Syverson agreed to add the amendment which changes it from eligible for registration, to actually being licensed on the provisions of those statutes. That would make it easier for us to administer. There are restrictions on collector vehicles. Collector vehicles essentially can be used for no pleasure driving.

**SEN. URLACHER**: in the event that one party gives or donates or gifts to another, how is that handled?

ANSWER: if the gift is between immediate family members, there is a tax exemption in the statute for that. If its not between immediate family members and we assess tax on it, fair market value of the vehicle.

**SEN. WARDNER**: what would be the ramifications if we just eliminated the use tax altogether? Would it create any problems?

ANSWER: no, in fact would be easier to administer at zero than at some varying rate.

SEN. URLACHER: is there a reason to track vehicles through the 1% tax?

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Senate Finance and Taxation Committee
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ANSWER; if you adopt the amendment, which says in order to get the reduced tax rate, you must register the vehicle, which we already have a tracking mechanism for it.

SEN. WARDNER: if we decided to eliminate it completely and go to zero, could we, it says \$2,000, refigure about a \$5,000 to \$6,000 fiscal note

ANSWER: 5%, if the tax rate would have been zero, we would have lost \$550 to the general fund.

**SEN. BERCIER**: how many days can you drive a collector vehicle?

ANSWER: only used for parades, car shows, rallies, other public gatherings for the purpose of displaying the vehicle or selling the vehicle.

Closed the hearing.

#### AFTERNOON COMMITTEE WORK

SEN. WARDNER: I asked the DOT what it would mean if we just got rid of the 2 ½ % and they said, the excise tax would be exempt and he said it would be a lot easier to administer and I will propose an amendment to do that made a motion TO ADOPT THE AMENDMENTS, second by Sen. Every.

**SEN. COOK**: the other one your going to leave at 1% in subsection 2?

SEN. WARDNER: no, it would be my intent to exempt them both. It would simply be that on page 1, line 14 the excise tax under this section is exempt. Replace 1% with exempt.

**VOICE VOTE**: 6-0-0 Motion carries.

**SEN. COOK:** we were also asked to replace eligible for registration with registered and would move to **ADOPT THOSE AMENDMENTS**, seconded by Sen. Wardner.

VOICE VOTE: 6-0-0

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SEN. TOLLEFSON: made a MOTION FOR DO PASS AS AMENDED, seconded by Sen.

Bercier.

**ROLL CALL VOTE**: 6-0-0 Sen. Every will carry the bill.

#### **FISCAL NOTE**

### Requested by Legislative Council 02/07/2005

Amendment to:

SB 2314

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to

funding levels and appropriations anticipated under current law.

differing for one differ	2003-2005 Biennium		2005-200	7 Biennium	2007-2009 Biennium		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues							
Expenditures							
Appropriations							

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

	2003-2005 Biennium 2005-2007 Biennium					2007	7-2009 Bien	nium
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities_	School Districts

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Engrossed SB 2314 provides an exemption from motor vehicle excise tax for purchases of antique and collectors' motor vehicles. The negative fiscal impact of Engrossed SB 2314 is expected to be less than \$5000 for the 2005-07 biennium.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
  - A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
  - B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.
  - C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/07/2005

#### **FISCAL NOTE**

### Requested by Legislative Council 01/19/2005

Bill/Resolution No.:

SB 2314

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to

funding levels and appropriations anticipated under current law.

	2003-2005 Biennium		2005-200	7 Biennium	2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				·		
Appropriations						<u> </u>

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2003	2003-2005 Biennium			2005-2007 Biennium		2007	7-2009 Bien	nium
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

SB 2314 provides reduced motor vehicle excise tax rates for purchases of antique and collectors' motor vehicles. The negative fiscal impact of SB 2314 is expected to be less than \$2000 for the 2005-07 biennium.

- 3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:
  - A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.
  - B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.
  - C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/31/2005

By Sylen

#### PROPOSED AMENDMENTS TO SENATE BILL NO. 2314

On page 1, line 12, remove "eligible for registration" and insert "registered"

On page 2, line 15, remove "eligible for licensing" and insert "registered"

Renumber according

Date: _	7.2	.05
Roll Call	Vote #:	

# 2005 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. SB 2314

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#### PROPOSED AMENDMENTS TO SB 2314

Page 1, line 11, replace "two and one-half percent" with "exempt"
Renumber accrdingly

Date:	2-2-	<u> 55</u>
Roll Call	Vote #:	_2

## 2005 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO.

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### 2005 SENATE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. SB 23/4

Senate _	Finance and Taxation					_ Committee	
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Sen. Ur	lacher	N		Sen. Bercier	V		
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REPORT OF STANDING COMMITTEE (410)

February 3, 2005 12:48 p.m.

Module No: SR-23-1769

Carrier: Every

Insert LC: 50732.0101 Title: .0200

#### REPORT OF STANDING COMMITTEE

SB 2314: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2314 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "is two and one-half percent on" with "does not apply to"

Page 1, line 12, replace "eligible for registration" with "registered"

Page 1, line 14, replace "is one percent on" with "does not apply to"

Page 1, line 15, replace "eligible for licensing" with "registered"

Renumber accordingly

2005 HOUSE FINANCE AND TAXATION

SB 2314

#### 2005 HOUSE STANDING COMMITTEE MINUTES

#### **BILL/RESOLUTION NO. SB 2314**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 8, 2005

Tape Number	Side A	Side B	Meter #
1	X		10
Committee Clerk Signatur	e Jan	in Stein	

Minutes:

**REP. DAVID DROVDAL, VICE-CHAIR** Called the committee hearing to order.

SEN. JOHN SYVERSON, DIST. 45 Introduced the bill. See attached written testimony.

**REP. HEADLAND** Is there a year, or a cutoff year, associated here?

**SEN. SYVERSON** A collector vehicle is twenty five years old, and an antique vehicle would be forty years old. Everyone of us in this legislature would be an antique.

**REP. WEILER** Do you have any idea how many of these vehicles are purchased, every year, on average over the last ten years?

SEN. SYVERSON I do not have a number. Maybe the transportation department does. The problem is, there is a large number of them hidden throughout North Dakota in sheds and storage buildings. There is no reason for people to bring them out and display them. There is a large old auto show in Devils Lake which attracts thousands of people every year. If we could do that more accross the state, we could generate our heritage, and generate tourism.

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**REP. WEILER** What you are hoping is that if we get rid of this excise tax, more people will purchase these vehicles, therefore, there would be more on display?

**SEN. SYVERSON** That is right.

**REP. WEILER** Would you consider this more then anything, a hobby?

SEN. SYVERSON I would suggest that it is as opposed to a business. But I would also suggest that hobbyists buy old vehicles which are not in prime shape. They spend tax dollars on paint, parts and labor to bring these vehicles up to show standards. We generate revenue which would probably not have been reflected in any fiscal note. The fiscal note would have only reflected the registration fees.

**REP. CONRAD** How much is the excise tax now?

**SEN. SYVERSON** It was five percent.

**REP. KELSH** Do you have any information how many other states have a rate for collector's antique cars.

**SEN. SYVERSON** We have a neighboring state to the east, that I believe charges \$25.00 and then it is a one-time licensing fee of \$100. There are other states that do it differently.

REP. DROVDAL You mentioned licensing and neighboring states, we also have special provisions for licensing for antique cars, are you familiar with what those requirements are?

SEN. SYVERSON The age criteria is the same as the excise tax application. I am not completely familiar with the registration. I believe there is a one-time, as well as for a collector,

**REP. WEILER** What is the average price of some of these vehicles?

and you get collector plates. I am not sure what the fee is for collector plates.

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<u>SEN. SYVERSON</u> If you were to look on the internet, you would find them anywhere from fifteen hundred, two thousand dollars all the way to several hundred thousand dollars.

**REP. TOM BRUSEGARD, DIST. 19** Co-sponsor of the bill, gave an explanation of his personal hobby with collector's cars.

**DARRELL GOETZFRIED, VICE-PRESIDENT OF PIONEER AUTO CLUB** Testified in support of the bill. Related to money generated from car shows, and also money spent in refurbishing the collector's cars.

**REP. DROVDAL** Do you feel the tax exemption for the purchase of the vehicle will spur more restoration of these vehicles or would it spur more antique shows?

**DARRELL GOETZFRIED** I believe it would. The big question when you go out and purchase a vehicle, the first thing they say is, then I have to pay taxes on it. That wouldn't enter in there anymore if the tax would be taken out of there.

**REP. SCHMIDT** I used to sell at auctions at Devils Lake, one year we sold a hundred thousand dollars worth, the next year we sold that '37 Chevy for \$27,500, I would say, and I hope this bill passes, but I would say the fiscal note is pretty small. These people that sold that \$27,500 Chevy stated they had \$40,000 in it.

**REP. WEILER** Do you think that it would be beneficial if the stuff that gets purchased, the paint, and whatever else that these individuals choose to purchase, should we include in this bill to exempt those things as well?

**DARRELL GOETZFRIED** We aren't asking for that, but it would be a very nice gesture to do that.

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House Finance and Taxation Committee
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**REP. WEILER** From the testimony from Sen. Syverson, this will bring economic development if that is the case, then maybe we should exempt all of the stuff.

**DARRELL GOETZFRIED** I can't agree with you more.

TONY GOETZFRIED, CAR ENTHUSIEST, MANDAN Testified in support of the bill. Referred to Rep. Weiler's question whether it is a hobby or a business. He stated it is a hobby. He stated you might find a 1947 Studebaker in a tree row some place, and when you get it home you probably have three to four years of work in it, it is just a hobby, you don't make any money at it. My brother puts on a car show at Mercer, and the little town of Mercer, the last time they had a car show, they had about 110 cars, over three street blocks. We are going to Devils Lake this year, we will stay in motels, eat meals while we are there.

RICHARD GOETZFRIED, CAR ENTHUSIEST, BISMARCK Testified in support of the bill. I am the one who puts on the car show at Mercer, ND. It isn't only money that is spent for paint and repair of all of these vehicles. I spend more money on after market products then I do on the car. It is not only the economic development of it, but we have the Lutheran Youth Group who puts on the food at that car show. It is the largest day of the year for them. The ladies auxilliary of the church makes money. Everyone in that vacinity makes money. I don't make one single dime, this is my 9th year of sponsoring the car show. I hope you will pass this bill.

#### KEITH KAISER, DIRECTOR OF THE MOTOR VEHICLE DIV. OF THE

**DEPARTMENT OF TRANSPORTATION** Testified in a neutral position to answer earlier questions. Regarding registration fees for antique and collector vehicles, the antique registration fee is ten dollars. Antiques are defined as any vehicle forty years old, there are really no limitations put on the useage of that vehicle, it is a one time registration fee. The only limitation

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Hearing Date March 8, 2005

is that it cannot be used as any part of a business or a farming operation. For collector vehicles, they must be at least twenty five years old and they pay a one - time sixty dollar fee. There are limitations on useage. A vehicle license on a collector vehicle can be used to go to and from shows, and storage facilities and repair facilities, but you can't take one for a Sunday afternoon drive. We did work with the tax department on the fiscal note. I took a look at our collections of tax on collector and antique vehicles of last year, for all of 2004, we collected \$546.25, that is why the fiscal note is low. Most vehicles registered with us, have previously been owned by the people who are doing it, and therefore, there is no tax due when you simply change the registration card. They may have paid tax twenty years ago or forty years ago. If you take one out of the trees in your parents' farm, there is no tax due.

**REP. WRANGHAM** Sen. Syverson testified that the trailers these cars are hauled in are licensed, could you go through how we license trailers in North Dakota?

**KEITH KAISER** Essentially, in North Dakota, we started the premise that all vehicles are required to be licensed, then the legislature created exemptions for certain trailers. All trailers weighing less than fifteen hundred pounds, loaded, are exempt. Trailers that are used to transport recreational vehicles, such as a boat, snowmobile, off-road motorcycles, are exempt. If you are transporting an on-road motorcycle or an antique car, those trailers are required to be licensed.

**REP. SCHMIDT** Those cars that are forty years old and older, are they the ones that have what they call "pioneer plates"?

**KEITH KAISER** That is correct. They have pioneer plates or antique plates.

**REP. SCHMIDT** What do the cars twenty five years and older have on them?

**KEITH KAISER** They have a collector plate.

#### 2005 HOUSE STANDING COMMITTEE MINUTES

#### BILL/RESOLUTION NO. SB 2314

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 9, 2005

Tape Number	Side A	Side B	Meter #
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#### Minutes:

#### **COMMITTEE ACTION**

**REP. OWENS** Presented amendments to the committee members for the bill. On line 11 and 14 delete the phrase, "the excise tax under this section does not apply to " and on lines 13 and 16, add "it is limited to 2%"

**REP. OWENS** Made a motion to adopt the amendments as presented.

**REP. WRANGHAM** Second the motion. Motion failed.

**REP. BRANDENBURG** Made a motion for a **DO NOT PASS**.

**REP. WEILER** Second the motion. **MOTION CARRIED.** 

8 YES 3 NO 3 ABSENT

**REP. WEILER** Was given the floor assignment.

Date: 3- 9-05
Roll Call Vote #: 1

# 2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 5.6 234

House FINANCE & TAXATION			<u> </u>	Com	nittee
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Legislative Council Amendment Num	iber _				
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Motion Made By	是人物	M Sec	onded By Kef We	100	
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BELTER, WES, CHAIRMAN	V				
DROVDAL, DAVID, V-CHAIR	V				
BRANDENBURG, MICHAEL	V				<u> </u>
CONRAD, KARI		V			
FROELICH, ROD	V	٠			<u> </u>
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OWENS, MARK		1			4
SCHMIDT, ARLO					<del> </del>
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REPORT OF STANDING COMMITTEE (410) March 9, 2005 1:38 p.m.

Module No: HR-43-4523 Carrier: Weiler Insert LC: Title: .

#### REPORT OF STANDING COMMITTEE

SB 2314, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (8 YEAS, 3 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2314 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

SB 2314

From: , 112107.2332

Re: SB 2314

Statement of Senator John O Syverson Committee on Finance and Taxation 2 Feb 05 Former to Home

SB 2314

Mr Chairman and committee . For the record - I am Senator John Syverson - district from District 45 .and I am here before you to introduce to you - SB 2314 which deals with reducing the excise tax on certain old motor vehicles .

The purpose of this bill is at least twofold. One is to encourage the preservation of a part of our national heritage, and do it here in North Dakota. The other is to encourage economic development that could be attendant with those old automobiles.

I know that many of you have probably attended an old auto show or have stopped at , during your travels , an auto museum along the highway .We already have many owners of these vehicles , but there could be many more if we were to remove , or in this case , reduce one inhibition to the acquisition of old show vehicles . If we could encourage a broader ownership spectrum , in all probability , we could encourage the establishment of a display museum that would have the effect of slowing down our trans state travelers and by so doing add to add to our tourism economy . Tourism is reported to be the second largest economic engine in this state and this kind of attraction could only help . I would venture that the economic benefit could significantly offset any negative fiscal note that would accompany this bill . There are preliminary plans to add to the air museum in Fargo and there could be made , accommodation , for the older surface vehicles , if they were to be available .

This state has many parades and fairs during our more temperate months and these old cars are a joy for everyone -

would also suggest that it seems unrealistic to equate the utility of a 5% excise tax on a new automobile that will probably utilize our roadways on an average of a 1000 miles a month to one of these old cars may be driven on our roadways a hundred miles per year. Many use our roadways not a wit, since they would be hauled on a taxable trailer to and from any display. This would be a trailer that may not have been otherwise acquired and taxed.

These men and women take great pride in their vehicles and are doing a service to us by preserving a part of our great national automotive heritage to the benefit of all of us. Let us have a facility here in North Dakota where we could see these vehicles on a daily basis, instead of having to drive to a couple of hundred miles for that experience.

Let we, as a collective legislature, do our part by adopting the proposed amendment which would give the DoT more confidence in the usage of these vehicles when registered and then passing out this bill with a do pass. Thank you for your attention.



#### Syverson, John O.

From: Syverson, John O.

Sent: Wednesday, February 02, 2005 8:27 AM

To: Syverson, John O.

#### **Collector Vehicle Registration**

Vehicles registered in any of the collector classes are restricted to operation solely as a collector item. These vehicles cannot be used for general transportation purposes. Owner has the choice of being one or two license plates for display. If one plate is chosen, the plate must be displayed on the rear of the vehicle. All license plates (with the exception of original Minnesota license plates), are issued out of the central office. No-fault insurance requirements apply to collector vehicles.

**Permits** 

There is a 60-day permit issued to individuals awaiting the issuance of collector plates.

Sales Tax

A \$90 in-lieu tax is charged on passenger vehicles and fire trucks registered in, or converted to, one of the collector classes at the time of sale. This in-lieu tax does not apply to other vehicles registered in the collector classes (e.g., one-ton pickups, motorcycles, or trucks).



Classic, Collector, Pioneer, Original Plate, Street Rod

- Initial \$25 (Additional \$100 due for initial application for Personalized Collector Plate.)
- Duplicate \$7.00 double Plate \$5.50-single plate (Personalized Collector Duplicate \$10.00)
- A \$7.00 filing fee is also due with each application (Filing Fee change effective July 1, 2001.)

#### Classic Motorcycle

- Initial \$10
- Duplicate \$5.50
- A \$7.00 filing fee is also due with each application (Filing Fee change effective July 1, 2001.)

<u>Pioneer Plate:</u> Any motor vehicle (except recreational) manufactured prior to 1936 is eligible. Registration in this class does not require the owner to have another vehicle with regular Minnesota license plates.



<u>Classic Plates:</u> Any motor vehicle manufactured between and including the years 1925-1948, and designated as a <u>classic car</u> (M.S. 168.10 sub1b), is eligible. No commercial vehicle, such as hearse, ambulance, truck or recreational vehicle is considered to be a classic car. Registration in this class does not require the owner to have another vehicle with regular Minnesota license plates.

<u>Collector Plates:</u> Any motor vehicle (except recreational) that is at least 20 model years old and manufactured after 1935 or of a defunct make, is eligible. A vehicle is considered 20 model years old when that particular make of vehicle introduces their 20th model year (e.g. a 1979 ford is 20 years old when the 1999 Ford models are introduced). The owners must certify, at the time of application, that they have one or more vehicles registered with regular Minnesota license plates.

<u>Street Rod Plates:</u> Any modernized motor vehicle manufactured prior to the year 1949 or any motor vehicle designed and manufactured to resemble a motor vehicle manufactured prior to 1949 is eligible. The owner must certify, at the time of application, that they have one or more vehicles registered with regular Minnesota license plates.

<u>Classic Motorcycle Plate:</u> Any motorcycle that is at least 20 model years old, original in appearance, and owned solely as a collector's item is eligible. The owner must certify, at the time of application, that they have one or more vehicles registered with regular Minnesota license plates.

Original Minnesota Plates: A vehicle registered in the Pioneer, Classic, Collector, Classic Motorcycle, or Street Rod classes, or a 20 year old vehicle registered in the passenger class, is eligible to display original Minnesota license plates. Original plates are those which were issued in the same year as the model year of the vehicle. Original plates may also qualify if there is a validation sticker matching the model year of the vehicle (e.g., an original 1965 license plate with a 1966 validation sticker may be used on a 1966 vehicle.) The original plate cannot conflict with a license plate series currently in use, or reserved for use by the department. The alpha-numeric restrictions for personalized plates also apply to original Minnesota plates. Original plates cannot be displayed until the Driver and Vehicle Services Division approves the application.

<u>Personalized Collector</u>: Vehicles that qualify for registration in the Pioneer, Classic, Collector, Street Rod, and Classic Motorcycle classes, may apply for personalized-collector plates. There is a \$100 initial application fee in addition to the collector class fee of \$25 (\$10 for Classic Motorcycle) if the vehicle is not yet registered in a collector class. The alpha-numeric restrictions for regular personalized plates apply.