

PROMISING 2010 SESSION ENDS IN DISAPPOINTMENT

Despite our hard work and some promising early indications, we were only able to accomplish one of three AASP-MN initiatives for the 2010 Legislative Session.

Our initiative to correct the imbalance between the surcharge amount retailers are required to collect for lead acid batteries and the core charge imposed by battery manufacturers was successful. The bill was approved by both the House and Senate and signed into law by Governor Pawlenty on April 22nd.

AASP-MN worked with Senator Ken Kelash (DFL-Minneapolis) and Representative Paul Gardner (DFL-Shoreview) as Chief Authors of a bill which amends the surcharge on lead core batteries. The new retail battery surcharge has been changed to “at least \$10.00” (it was \$5.00) and will go into effect on August 1, 2010.

The AASP-MN bill to prohibit insurer-owned repair shops failed to move off of the Senate and House Calendar at the close of Session. We were told that Senate leadership would move the bill only if we “had the votes” (a minimum of 34) to ensure its passage. In the final two weeks of the Session, our count indicated 29 yes votes in the DFL Caucus and 6 votes in the Republican Caucus. We expect that there were at least a handful of other legislators who would have voted in favor of the bill – but Senate leadership and staff kept a very tight rein on the Calendar and ultimately cut off action on all bills pending on the Senate General Orders Calendar. By the time we got to the last week of Session, the Calendar was jammed with budget balance provisions and none of the bills remaining on the General Orders Calendar were acted upon.

This outcome was particularly frustrating because we believe that we did have the votes to move on this bill, but that our efforts were undermined by Senate staff with personal ties to the insurance lobby.

Work has already begun to follow-up with those Senators who indicated their support for the bill – to ensure that they stay committed to the automotive repair industry through the 2010 elections and into the 2011 Legislative Session.

AASP-MN’s suffered another disappointing outcome with our bill to change the point at which sales tax is imposed on auto repair paint and supplies. After moving the bill through the Senate Tax Committee and having the bill heard and amended in the House Tax Committee to match the Senate provision, the House-Senate Tax Conference Committee did not adopt the provision.

Despite the fact that we worked extensively with the Department of Revenue on this provision, Governor Pawlenty indicated that he would not accept this provision in the final Tax Bill. We worked with the Governor’s staff, Commissioner Ward Einess and Assistant Commissioner Beth Kadoun of the Department of Revenue to make the case for changing the point of imposition of sales tax. In the end, we were told “there is no policy reason to oppose this

provision.” It was the simple fact that this change results in a net increase in state revenue that caused the Governor to reject the provision.

We argued that no new products or materials would be subject to sales tax and that the sales tax rate was not being changed. These arguments did not overcome the objection to the revenue increase and, in the end, Conferees were unwilling to include any provision in the Tax Bill that would have resulted in the bill being vetoed by Governor Pawlenty.

We had the strongest possible Senate Chief Author – Senator Tom Bakk (DFL-Cook) who chairs the Senate Tax Committee. Senator Bakk was as frustrated as I was over the heightened level of “purity” that the Governor adopted with respect to revenue increases. “No new taxes” is one thing, but changing the point at which a tax is imposed seems like it should not present the same kind of problem – even if one has taken a pledge. Given the fact that the State is going to need significant revenue increases in 2011, I think we are likely to succeed with this provision next Session.

We will be laying out a strategic framework for Association members to implement to maintain and build on our legislative support for both the bill to prohibit insurer-owned repair shops and the sales on auto repair paint and supplies. Watch for more information on these efforts in the coming months.