

MINNESOTA • REVENUE

GENERAL FUND EXPENDITURE LIMITATION

January 24, 2011

| | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | X | |

Department of Revenue
Analysis of H.F. 67 (Downey)

Effective the day following final enactment.

This bill would limit General Fund spending in the next biennium to forecasted revenue. The bill specifies that a budget proposed by the governor and any budget enacted for the biennium ending June 30, 2013, must limit General Fund expenditures to the amount of General Fund revenue projected in the November 2010 forecast.

The bill also specifies the use of any projected increase above revenue for the biennium ending June 30, 2011. For the projected biennial increase, 60% of the growth in General Fund revenue in the next biennium over revenue for the biennium ending June 30, 2011, may be used for General Fund expenditures. The distribution of the remaining 40% of the increase in revenue must be limited to the following purposes:

- 10% may be used to increase the angel investment credit
- 45% may be used to reduce the corporate tax rate, and
- 45% may be used for a subtraction of net income from an S corporation, partnership, or limited liability company.

According to Minnesota Management and Budget, \$604.1 million would be available for the 2012/2013 biennium for the three tax provisions specified in the bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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