

**SALES TAX REBATE
2001 Rebate Proposal**

PRELIMINARY ANALYSIS

January 23, 2001

| | | |
|---|------------|-----------|
| | Yes | No |
| Separate Official Fiscal Note Requested | | X |
| Fiscal Impact | | |
| DOR Administrative Costs/Savings | X | |

Department of Revenue
Analysis of H.F. 48 (Abrams)

| | Revenue Gain or (Loss) | | | | |
|--------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|----------------------|
| | <u>F.Y. 2001</u> | <u>F.Y. 2002</u> | <u>F.Y. 2003</u> | <u>F.Y. 2004</u> | <u>FY2005</u> |
| | | | (000's) | | |
| Core Population | (\$829,447) | \$0 | \$0 | \$0 | \$0 |
| SSA Eligible Qualifiers | (\$49,640) | \$0 | \$0 | \$0 | \$0 |
| Dependent Qualifiers | (\$6,426) | \$0 | \$0 | \$0 | \$0 |
| Income Tax Credit Qualifiers | (\$11,526) | \$0 | \$0 | \$0 | \$0 |
| Property Tax Refund Qualifiers | (\$10,880) | \$0 | \$0 | \$0 | \$0 |
| Late Filers, Claims, Nonres. | (\$16,581) | \$0 | \$0 | \$0 | \$0 |
| General Fund | (\$924,500) | \$0 | \$0 | \$0 | \$0 |

* Minnesota full-year and part-year residents who had a \$1 or more of 1999 income tax liability, excluding dependents.

Effective the day following final enactment.

EXPLANATION OF THE BILL

The bill provides for a sales tax rebate of up to \$924.5 million to be paid in 2001. This proposal for a 2001 rebate is similar in many respects to the 2000 rebate.

There are five primary groups that would qualify for an automatic rebate. First, residents (who were not dependents) that filed a 1999 Minnesota tax return with a tax liability of \$1 or more are eligible for a rebate based on the tables that are constructed by size of income and filing status. The maximum amounts are set at \$1,700 for single filers and \$3,400 for joint filers. Second, Minnesota residents (at least 18 years old by 12/31/99) that did not qualify under the above provision but received social security income qualify for a rebate of \$136. Third, dependents with at least \$1 of income tax liability and have earned income receive a rebate of 35% of the table amount for single filers. Fourth, Minnesota residents (who were not dependents) that did not qualify based on income tax liability or the SSA provision and filed a income tax return claiming a dependent care credit, working family credit, education credit,

EXPLANATION OF THE BILL (cont.)

withholding credit, or estimated tax credit qualify for a rebate of \$136 or \$240 depending on filing status. The fifth group is persons who claimed a property tax refund for property taxes paid in 1999 or rent paid in 1998. They receive a rebate of \$136. Part-year residents qualify for a prorated rebate amount. Nonresidents qualify for a rebate based on actual submitted receipts.

REVENUE ANALYSIS DETAIL

The core population is comprised of approximately 1,810,000 full and part-year residents who had at least \$1 of tax for tax year 1999. This estimate is based on a comparison of 1998 actual information with summary information from 1999 income tax processing statistics.

The estimates for the other types of qualifiers are based on 1998 information and will be updated with 1999 information. The estimates are based on Department of Revenue information and 1998 information from the Social Security Administration.

| | |
|--|---------------|
| Core Population | 1,810,000 |
| SSA Eligible Qualifiers | 365,000 |
| Dependent Qualifiers | 135,000 |
| Income Tax Credit Qualifiers | 75,000 |
| Property Tax Refund Qualifiers | 80,000 |
| Late Filers, Claimants, and Nonresidents | <u>30,000</u> |
| Total Rebates | 2,495,000 |

Compared to the rebate recipients in 2000, about 87,000 people (or 65,000 rebates) who qualified because they had a property tax rebate would not qualify under the other eligibility groups.

Number of Taxpayers Affected: It is estimated that this proposal would produce 2,495,000 rebates.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>