SALES TAX REBATE
2001 Rebate Proposal

PRELIMINARY ANALYSIS

March 8, 2001

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

Department of Revenue
Analysis of H.F. 283 (Knoblach) / S.F. 913 (Oliver)

	Revenue Gain or (Loss)				
	F.Y. 2001	F.Y. 2002	F.Y. 2003	F.Y. 2004	FY2005
			(000's)		
Core Population*	($829,447)				
SSA Eligible Qualifiers	($49,640)				
Dependent Qualifiers	($6,426)				
Income Tax Credit Qualifiers	($11,526)				
Property Tax Refund Qualifiers	($10,880)				
Late Filers, Claims, Nonres.	($16,581)				
Total Rebate	($924,500)				
General Fund Recapture	$13,900				
General Fund	($910,600)	$0	$0	$0	$0
Administrative Costs	Unspecified				

* 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. However, the definition for income in this proposal varies from previous sales tax rebates. The income definition is expanded to include interest and interest dividends on Minnesota state and local government obligations that are exempt for Minnesota tax purposes.

EXPLANATION OF THE BILL (cont.)

There are four 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 and 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, withholding credit, or estimated tax credit qualify for a rebate of $136 or $240 depending on filing status. Also, included in the fourth group are persons who claimed a property tax refund for property taxes paid in 1999 or rent paid in 1999. The property tax refund filers receive a rebate of $136. Except for social security recipients in the second group, part-year residents qualify for a prorated rebate amount. Nonresidents qualify for a rebate based on actual submitted receipts of sales tax paid in 1999.

The bill provides for direct appropriations to the Department of Revenue and State Treasurer for administration of the rebate, but the amounts are left blank.

REVENUE ANALYSIS DETAIL

- The core population is comprised of approximately 1,810,000 full and part-year residents who had at least $1 of income tax liability 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	30,000
Total Rebates	2,495,000

- The change in the income definition will affect over 100,000 rebates. The impact of limiting the rebate to $924,500,000 combined with the income definitional change will be to lower the table amounts somewhat. The change will result in proportional downward adjustments.

REVENUE ANALYSIS DETAIL (cont.)

- 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.
- The change of definition for income will affect over 100,000 people
- The general fund recapture was estimated at 1.5% of the rebate amount. This was approximately the percent of the offset for the 2000 sales tax rebate.

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

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note for HF 2.

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

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