PROPERTY TAX REFUND, SALES TAX REBATE, TAX REFUNDS
Uncashed Warrants

March 28, 2001

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

Department of Revenue
Analysis of H.F. 1357 (McElroy) **As Proposed to be Amended (H1357A1)**

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
	(000's)			
General Fund	---(Unknown)---			

Sections 1 and 4 are effective the day following final enactment.
Sections 2 and 3 are effective August 1, 2001.

EXPLANATION OF THE BILL

Current Law: For the property tax refund, the right to the refund lapses if the claimant does not cash the warrant within two years after it is issued or if the commissioner cannot locate the claimant within that same time period.

For the 1999 sales tax rebate, the right to the rebate lapses if the check or warrant is not cashed by July 1, 2001, or if the commissioner cannot locate the individual by that date. For the 2000 sales tax rebate, the expiration date is July 1, 2002.

For refunds that are overpayments of taxes, the right to the refund does not lapse because the warrant was not cashed or because the commissioner could not locate the taxpayer. Provisions are made for uncashed tax refunds to be reported to the Department of Commerce as unclaimed property.

Proposed Law: The two-year limit on the right to a property tax refund would be removed, so that the right would not lapse.

Based on a showing of reasonable cause, the Commissioner of Revenue would be authorized to reissue sales tax rebate checks that have legally lapsed. Authority is limited to five years from the date the original check or warrant was issued.

The timelines and procedures for treating uncashed tax refunds as unclaimed property are modified.

REVENUE ANALYSIS DETAIL

- For the 1998 property tax refund, warrants totaling $549,000 have not been cashed and have lapsed.
- For the 1999 sales tax rebate, warrants totaling $458,000 have not been cashed. Any warrants left uncashed after July 1, 2001, could be affected by this bill.
- For the 2000 sales tax rebate, the uncashed warrants total $886,000; any left uncashed after July 1, 2002, could also be affected.
- It is not known what portion of the uncashed property tax refund and sales tax rebate warrants would be claimed as the result of extended time limits, but it is likely to be small.
- For the 1999 sales tax rebate, about $5.4 million is for individuals who have not been located. For the 2000 rebate, the amount is $7.9 million. The extension of the time limits for locating these individuals could have some impact, but, again, it is likely to be small.
- It is not known to what extent the procedural changes for unclaimed property will affect the amount of tax refunds that are eventually cashed.

ADMINISTRATIVE/OPERATIONAL IMPACT

The department will incur costs to establish a review process for reissuing refund checks for reasonable cause. The volume of reissued checks will create additional costs to process and reissue refund checks. There will also be costs incurred due to expanded reporting requirements to the Dept of Commerce.

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

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