

MINNESOTA · REVENUE

LOTTERY IN LIEU SALES TAX Disposition Change

PROPERTY TAX Payment in Lieu of Tax on Consolidated Conservation Lands

March 22, 2002

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

Department of Revenue
Analysis of H.F. 1359 (Ozment) / S.F. 2125 (Moe), 3rd Engrossment
Sections 2, 3, and 4

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
	(000's)			
Lottery In-Lieu Sales Tax Disposition Change:				
Game and Fish Fund	\$0	\$(76)	\$(182)	\$(182)
Natural Resources Fund	\$0	\$(76)	\$(182)	\$(182)
General Fund	\$0	\$152	\$364	\$364
New PILT State Aid Payments:				
General Fund	\$0	\$0	\$(334)	\$(344)

Lottery tax change (section 2) is effective January 1, 2003. Section 3 is effective for PILT payments made in calendar year 2002 and thereafter. Section 4 is effective for payments made in calendar year 2003 and thereafter.

EXPLANATION OF THE BILL

Current Law:

Lottery Tax

A tax of 6.5% is imposed on the gross receipts from sales of lottery tickets. The tax base is the gross receipts from sales before deduction of a commission or other compensation paid to the vendor or retailer selling the tickets. This tax is in lieu of the 6.5% general sales tax. Eighty-eight and a half percent of the revenue is split between the game and fish fund and the natural resources fund to be used for specified purposes. The remaining 11.5% is deposited in the general fund.

Property Tax

The Department of Natural Resources (DNR) annually certifies payments in lieu of taxes (PILT) to 72 counties for natural resources property acquired by the state. The payments are made by the Department of Revenue. Lands known as "acquired natural resources land" (including

EXPLANATION OF THE BILL (Cont.)

wildlife management areas) receive either \$3 per acre, adjusted for inflation, or three-fourths of one percent of appraised value of all acquired natural resources land in the county, whichever is greater.

A consolidated conservation areas account, called the consolidated account, has been established in the state treasury. Income generated by the account is annually distributed to counties containing the land from which the income is derived. The payments to counties must be deposited in a county resource development fund, and the payment to townships is to be used for road maintenance.

Proposed Law:

Lottery Tax

The bill reduces the non-general fund portion from 88.5% to 87.1%. The effect is to reduce money now allocated to the game and fish and natural resources funds and to increase the general fund allocation.

Property Tax

Section 3 requires that PILT payments for consolidated conservation lands be changed so that 15 percent is used in the same way as payments from the state consolidated conservation areas account, and the remainder distributed to the county as a payment in lieu of tax. Section 4 adds wildlife management lands in Roseau, Beltrami, Marshall, and Lake of the Woods counties. The counties containing the transferred lands will be eligible for PILT payments as "acquired natural resources land."

REVENUE ANALYSIS DETAIL

Lottery Tax

- The State Lottery office forecasts that annual proceeds from the 6.5% gross receipts tax will be constant at \$26 million through fiscal year 2005.
- The percentage reduction from 88.5% to 87.1% was calculated and assigned to the affected funds.
- The estimates for fiscal year 2003 were adjusted for an effective date of January 1, 2003 (five months of impact).

REVENUE ANALYSIS DETAIL (Cont.)

Property Tax

- Information from a DNR fiscal note indicates that consolidated conservation lands will generate state PILT payments to the counties of \$334,000 in fiscal year 2004 and \$344,000 in fiscal year 2005.
- The redistribution of PILT payments specified in Section 3 will change the way the aid is spent locally but will have no impact on the general fund.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note

Source: Minnesota Department of Revenue
Tax Research Division