

**SALES TAX REBATE
Expansion of Sales Tax Rebate 2000**

April 4, 2001

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

Department of Revenue
Analysis of H.F. 1399 (McElroy) / S.F. 1420 (Pogemiller)

	<u>Revenue Gain or (Loss)</u>				
	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u> (000's)	<u>F.Y. 2004</u>	<u>FY2005</u>
General Fund	\$0	(\$6,000)	\$0	\$0	\$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: The sales tax rebate which was paid in 2000 is largely complete. The first Minnesota sales tax rebate was provided in 1999 and was provided to a specific population. The 2000 rebate was distributed to a larger population of recipients than the initial 1999 rebate. The 2000 rebate included rebates to SSA recipients, dependents with earned income, late filers, and credit only filers, in addition to the original group of 1999 rebate recipients (including property tax rebate recipients and resident filers with a tax liability of \$1 or more).

Proposed Law: A person who was a Minnesota resident for any part of 1998 and did not qualify for a 2000 sales tax rebate would become eligible for a 2000 rebate if they filed a 1998 federal income tax return (or will file prior to December 31, 2001) and had a federal tax liability, before refundable credits, of at least \$1.

The amount of the rebate would be based on the tables used for the 2000 rebate and would vary by income and filing status. The income definition continues to be federal taxable income plus Minnesota additions. Dependents with earned income would receive 35% of the amount from the existing table. All other qualifying recipients would receive the full table amount.

The person would need to file a claim for the rebate. Initial rebate claims would be allowed until December 31, 2001. Subsequent claims that adjust initial rebate claims would be allowed until July 1, 2002.

REVENUE ANALYSIS DETAIL

- 1998 tax return information from Department of Revenue processing files was merged with 1998 federal return file information. Subsequent analysis of this merged file information identified tax returns by income, filing status, and dependent status. This merged file information was used for this estimate to further identify proposed eligible populations.
- A participation rate of 85% is applied for this estimate.
- It is estimated that there would be approximately 27,000 rebate claims received from the estimated 32,000 possible rebate qualifiers.
- The effective date is the day following final enactment. This date would likely be near the end of May of 2001. Discussions with rebate processing personnel indicate that administrative preparation and processing would be completed thereafter. Claims review would occur upon receipt of the claim. It is expected that all of these manual claims would be paid in fiscal year 2002.
- The average rebate claim would be an estimated \$220.
- A small portion of the \$6 million total cost may be recovered through the recapture offsets applied during the rebate process. The amount of the general refund recapture is expected to be relatively small.

Number of Taxpayers Affected: It is estimated that 27,000 additional rebates would be provided.

ADMINISTRATIVE/OPERATIONAL IMPACT

The impact of this legislation would create an estimated 27,000 additional sales tax rebate checks that would be processed by DOR manually at a cost of approximately \$10.00 a piece.

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