SALES AND USE TAX
15.3% Revenue Dedication

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

March 30, 2001

Department of Revenue
Analysis of H.F. 1985 (Pelowski)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
	(000's)			
General Fund	$(535,540)	$(628,620)	$(664,690)	$(702,170)

Effective July 1, 2001.

EXPLANATION OF THE BILL

Current Law: Sales and use tax revenue is currently deposited in the state general fund, except that 87 percent of the 6.5 percent lottery in-lieu sales tax is deposited in two other funds, the natural resources fund and the game and fish fund.

Proposed Law: The bill would allocate 15.3 percent of general sales and use tax revenue to the city transportation account in the general fund. Revenues from the following sources would not be subject to the allocation: the 9 percent rate on alcoholic beverages, the 4.225 percent effective rate on manufactured homes and park trailers, the 6.2 percent additional rate on motor vehicle rental, the 6.5 percent in-lieu tax on state lottery games, and the 6.5 percent motor sales tax under chapter 297B.

REVENUE ANALYSIS DETAIL

- The estimates were based on the Finance Department's February 2001 forecast of net general sales and use tax revenue for the fiscal years 2002 through 2005.
- Revenues attributable to the excluded categories described above were factored out.
- The impact for FY 2002 was reduced by one-twelfth to account for an effective date of July 1, 2001.

Number of Taxpayers Affected: Because the bill deals with the disposition tax receipts, it would not affect the 231,000 businesses registered for sales and use tax.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be significant DOR costs to make processing system changes and gather additional data needed to make the computations and payments.

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

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