MINNESOTA · REVENUE

SALES AND USE TAX
Fractional Tax Dedication
for Recreational Funding

May 8, 2002

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

Department of Revenue
Analysis of S.F. 1589 (Lessard) / H.F. 1671 (Holsten) **Analysis Revised for Amendments Adopted by House Governmental Operations & Veterans Policy Committee on May 7, 2002**

Effective July 1, 2005, upon ratification of constitutional amendment to be voted on at the 2002 general election.

Unofficial Revenue Estimate (millions)	F.Y. 2006	F.Y. 2007
General Fund		
Sales Tax Dedication	$(128.8)	$(133.8)
Heritage Enhancement Fund	$65.7	$68.2

EXPLANATION OF THE BILL

Current Law: All general sales and use tax receipts, including penalties and interest, are deposited in the state general fund.

Proposed Law: As amended on May 7, article 1 proposes a constitutional amendment to be voted on at the 2000 general election. If approved, the amendment would dedicate the receipts equal to a general sales tax of 3/16 (0.1875%) of one percent as follows:

- 51% to a newly created heritage enhancement fund for the sole purpose of improving, enhancing, and protecting fish and wildlife resources and habitat for hunting fishing, and other uses;
- 49% to be spent on state parks and trails; metropolitan area park and trail grants; local trail grants; and the Minnesota, Como Park, and Duluth zoos.)

The money dedicated under the constitutional amendment must be used to supplement, and not substitute for, traditional sources of funding for the specified purposes.

Note: The amended bill deleted article 2 of the original bill and deleted disposition changes to the 6.5% state lottery in-lieu sales tax.

REVENUE ANALYSIS DETAIL

- The estimate was based on the Finance Department's February 2002 forecast of net sales and use tax revenue.
- Because the forecast did not go beyond the 2004-2005 biennium, estimates for fiscal years 2006 and 2007 were based on the FY 2005 forecast and increased each year by one percentage point over the projected growth in the gross domestic product according to DRI-WEFA, Inc.
- The tax base was assumed to include liquor and beer sales (taxed at a 9% rate) and manufactured home and park trailer sales (taxed at an effective rate of 4.225%).

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to the Department of Revenue in administering this bill.

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

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