

MINNESOTA · REVENUE

SALES AND USE TAX Fractional Tax Dedication for Natural Resources Funding

May 9, 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), **1st Engrossment of House Bill**

Effective for the period July 1, 2005 through June 30, 2026, upon ratification of constitutional amendment to be voted on at the 2002 general election.

| <u>Unofficial Revenue Estimate (millions)</u> | <u>F.Y. 2006</u> | <u>F.Y. 2007</u> |
|---|------------------|------------------|
| General Fund | | |
| Sales Tax Dedication | \$(128.8) | \$(133.8) |
| Conservation Heritage Enhancement Fund | \$65.7 | \$68.2 |
| Parks, Trails, and Other Purposes, as Specified | \$63.1 | \$65.6 |

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: The bill proposes a constitutional amendment to be voted on at the 2002 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 Minnesota conservation heritage enhancement fund for the sole purpose of improving, enhancing, and protecting fish and wildlife resources and habitat for hunting fishing, and other uses;
- 20% to be spent only on state parks and trails;
- 20% to be spent only on metropolitan park and trail grants;
- 7% to be spent only on grant-in-aid trails and local and regional park and trail grants;
- 2% to be spent only for state and local 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.

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 does 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>