

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX Refund for Transit Pass Expenses

April 15, 2004

Department of Revenue
Analysis of S.F. 2945 (Moua) As Amended

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

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>FY2006</u>	<u>FY2007</u>
		(000's)		
General Fund	\$0	(\$100)	(\$700)	(\$800)

As amended: effective for transit passes purchased after December 31, 2004.

EXPLANATION OF THE BILL

Current Law: Both individual and corporate franchise taxpayers receive non-refundable tax credits equal to 30% of the net expenses incurred by an employer to provide transit passes to their employees.

Proposed Law: The transit pass credit is converted into a program where the State of Minnesota reimburses the 30% of employer-paid transit pass expenses for all employers except the federal, state and local governments. Claims for refund would be filed with the Department of Revenue, and refunds would be paid at least quarterly.

REVENUE ANALYSIS DETAIL

- Estimates of the current law tax credit are based on those in the 2004 Tax Expenditure Budget.
- Sources at Metro Transit provided figures on the dollar volume of bus passes sold by Metro Transit through two programs: Metropass and Transit Works.
- Under the Metropass program, on average employers pay 48% of the cost of transit passes purchased for their employees.
- Metro Transit has no estimates of employer-paid costs associated with transit passes sold under their Transit Works program. Because the employer-paid expenses are assumed to be less than those under the Metropass program, it is assumed that on average employers pay 15% of the cost of transit passes purchased through the Transit Works program.
- Analysis of data from the Metropass program indicates that 25% of the program's participants are government employees.

REVENUE ANALYSIS DETAIL (cont.)

- The estimate of employer-paid transit expenses for the metropolitan area was increased to reflect a statewide estimate. The metro/statewide percentage of total ridership on urbanized systems of public transit was used to increase the metro area estimate into the statewide estimate.
- Five percent annual growth in employer-paid transit expenses is assumed.
- Due to effective date of bill, the estimate for FY 2005 reflects one quarterly payment under the bill offset by the part of the tax year 2005 tax credit that would have affected fiscal year 2005.

Number of Taxpayers Affected: About 200 taxpayers claim the tax credit under current law. It is estimated that at least 300 employers have transit pass expenses, and they will claim the transit pass expense refund.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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