

MINNESOTA • REVENUE

VARIOUS EXCISE TAXES Payments Made to Counties for Indian Tribes Without Tax Agreements

April 7, 2003

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

Department of Revenue
Analysis of S.F. 480 (Murphy) / H.F. 1057 (Dempsey)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	(\$10)	(\$20)	(\$20)	(\$20)

Effective for taxes collected after June 30, 2003.

EXPLANATION OF THE BILL

Current Law: Tax sharing agreements are in effect with all but one tribal government. The agreements have 50-50 tax sharing provisions for all tax types. There is provision for payment to the counties in which an Indian gaming casino is located of 10% of the state share of all taxes collected under the agreement.

Proposed Law: Payments would be made to a county based on reservation activities in the county of a non-participating tribal government with a casino. A payment would be made by the state to the county equal to 5% of the excise taxes generated from activities on the reservation.

REVENUE ANALYSIS DETAIL

- Currently, Prairie Island in Goodhue County is the only reservation without a tribal agreement.
- Estimates for the cigarette, liquor, and petroleum excise tax types were developed based on Department of Revenue information and comparable information from current tribal agreements.

REVENUE ANALYSIS DETAIL (cont.)

- The excise taxes are volume based, and the level of sales is assumed to be relatively constant during the forecast period.
- The fiscal year 2004 estimate was reduced to reflect the effective date. The annual payment is made in February for the previous calendar year, so the first payment would be for six months of collections.

Number of Taxpayers: One county.

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

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