

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Campaign Finance Reform

April 6, 2004

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

Department of Revenue

Analysis of S.F. 998 (Hottinger) 1st Engrossment, Sections 29, 35, and 56, **Updated Analysis**

	<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)		
Eliminate State-Funded Checkoff	\$0	\$1,350	\$1,350	\$1,350
Eliminate Appropriation	<u>\$0</u>	<u>\$1,500</u>	<u>\$0</u>	<u>\$1,500</u>
General Fund Total	\$0	\$2,850	\$1,350	\$2,850

Effective August 1, 2003.

EXPLANATION OF THE BILL

Current Law: Minnesota residents have two ways to make state-funded political contributions. The campaign checkoff on the income tax return and the property tax refund return allows them to designate \$5 for self and \$5 for spouse to parties that qualify or to the general campaign fund. These amounts do not add to their tax or reduce their refund. In addition to the amounts from the checkoff, \$1.5 million is appropriated from the general fund for distribution for each general election.

An individual or married couple files a separate form to claim a refund of 100% of contributions made to qualifying Minnesota parties and candidates. The maximum refund is \$50 for an individual and \$100 for a married couple.

Proposed Law: The current checkoff and refund programs are repealed in Section 56 and replaced by other provisions.

Section 35 provides that the checkoff to the state elections campaign fund will no longer be paid from the general fund but instead will be added to the tax or subtracted from the refund otherwise payable by or to the taxpayer. There is no limit on the amount that can be checked off, and there is no designation by party. The additional \$1.5 million appropriation is no longer provided.

Section 29 provides for a political contribution refund that is similar to the current program except that contributions may be directed only to parties or party units, not to candidates. The refund eligibility applies only if parties agree not to make independent expenditures.

REVENUE ANALYSIS DETAIL

- Although the effective date of the bill is August 1, 2003, it is assumed that the change in the campaign checkoff would first occur on 2004 returns filed in 2005.
- The new taxpayer-funded checkoff would have no net impact on the general fund. It is assumed that the total amount of the checkoff would be reduced by about one-half if it were funded by the taxpayer rather than the state.
- Allowing the political contribution refund only for contributions to political parties could have some effect on participation, but it was assumed that the total refund would stay at roughly the same level.

Number of Taxpayers: About 270,000 taxpayers use the campaign checkoff annually.

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