

INDIVIDUAL INCOME TAX
Campaign Finance Reform

April 28, 2003

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

Department of Revenue
Analysis of S.F. 998 (Hottinger)/ H.F. 1382 (Davnie), Sections 29, 36, and 57

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>FY2007</u>
		(000's)		
General Fund	\$700	\$3,200	\$700	\$3,200

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. In addition to the amounts from the checkoff, \$1.5 million is appropriated from the general fund for distribution for each general election.

The political contribution refund is not part of the tax return. The 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Proposed Law: The current checkoff and refund programs are repealed in Section 57 and replaced by other provisions.

Section 36 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, not candidates. To be eligible for the program, a political party must agree not to make independent expenditures. The limits are \$50 for an individual and \$100 for a married couple.

REVENUE ANALYSIS DETAIL

- Amounts for the current checkoff are based on the February 2003 forecast and include the \$1.5 million appropriation made in general election years.
- 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 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.

Source: Minnesota Department of Revenue
Tax Research Division

<http://www.taxes.state.mn.us/polic.html#analyses>