

MINNESOTA • REVENUE

SALES AND USE TAX Constitutional Amendment for 0.5% Dedication for Enhancement of Natural Resources, Parks and Trails, the Arts, and Public Broadcasting

April 20, 2006

Department of Revenue
Analysis of H.F. 4104 (Hansen), Article 3

	Yes	No
DOR Administrative Costs/Savings		x

Fund Impact				
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
	(000's)			
General Fund	\$0	\$0	(\$327,280)	(\$369,200)
Heritage Enhancement Fund	\$0	\$0	\$81,820	\$92,300
Clean Water Fund	\$0	\$0	\$81,820	\$92,300
Farmland and Natural Areas Fund	\$0	\$0	\$81,820	\$92,300
Parks and Trails Fund	\$0	\$0	\$40,910	\$46,150
Arts, Humanities, Museum, and Public Broadcasting Fund	\$0	\$0	\$40,910	\$46,150

Effective July 1, 2007, upon approval of a constitutional amendment at the 2006 general election.

EXPLANATION OF THE BILL

The bill proposes a constitutional amendment to be submitted to the voters at the 2006 general election. The amendment would dedicate receipts from the state sales and use tax at a rate of one-half of one percent (0.5%) on taxable sales and uses from July 1, 2007, until June 30, 2032.

The dedicated revenue would be deposited into the funds as follows:

Heritage Enhancement Fund	25%
Clean Water Fund	25%
Farmland and Natural Areas Fund	25%
Parks and Trails Fund	12.5%
Arts, Humanities, Museum, and Public Broadcasting Fund	12.5%

The money would be used to improve, enhance, or protect fish, wildlife, habitat, and fish and wildlife tourism; for protection of lakes, rivers, streams, wetlands, and groundwater; for acquisition and protection of farmland and natural areas; for parks, trails, and zoos; and for the arts, humanities, history, museums, and public broadcasting.

REVENUE ANALYSIS DETAIL

- The estimates were based on the February 2006 state revenue forecast and Department of Revenue data.
- The analysis subtracted from the sales tax forecast for fiscal years 2008 and 2009 the 6.2% motor vehicle rental tax, the 2.5% liquor gross receipts tax, and the general fund portions of the lottery in-lieu sales tax and the solid waste management tax. Amounts from these sources are included in the sales tax forecasts.
- Revenue from a 0.5% tax rate was computed and assigned to the five funds.
- The estimates for fiscal year 2008 were adjusted for the effective date of July 1, 2007, to account for 11 months of impact in the first year.

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