

MINNESOTA • REVENUE

SALES AND USE TAX Constitutional Amendment for 0.375% Rate Increase and Dedication of Additional Revenue

March 17, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2734 (Sams), 1st Engrossment

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
Heritage Enhancement Fund	\$0	\$0	\$83,450	\$94,140
Parks and Trails Fund	\$0	\$0	\$54,000	\$60,920
Clean Water Fund	\$0	\$0	\$54,000	\$60,920
Arts, Humanities, Museum, and Public Broadcasting Fund	<u>\$0</u>	<u>\$0</u>	<u>\$54,000</u>	<u>\$60,920</u>
Total – All Funds	\$0	\$0	\$245,450	\$276,900

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 increase the state sales and use tax rate by three-eighths of one percentage point to 6.875%. The rate increase would be in effect for 25 years until 2032.

Revenue from the increase in the tax rate would be deposited into the funds as follows:

Heritage Enhancement Fund	34%
Parks and Trails Fund	22%
Clean Water Fund	22%
Arts, Humanities, Museum, and Public Broadcasting Fund	22%

The money would be used to improve, enhance, or protect fish, wildlife and related tourism; parks, trails, and zoos; lakes, rivers, streams, wetlands, and groundwater; and to enhance 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.
- Estimated additional revenue from the rate increase was computed and assigned to the four 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