

MINNESOTA • REVENUE

SALES AND USE TAX 0.375 Percentage-Point Rate Increase for Natural and Cultural Resources

March 26, 2007

Department of Revenue
Analysis of S.F. 6 (Pogemiller), 3rd Engrossment

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
	(000's)			
Heritage Enhancement Fund	\$0	\$0	\$85,200	\$96,200
Great Outdoors Minnesota Fund	\$0	\$0	\$111,000	\$125,400
Cultural Legacy Fund	<u>\$0</u>	<u>\$0</u>	<u>\$61,900</u>	<u>\$70,000</u>
Total - All Funds	\$0	\$0	\$258,100	\$291,600

Effective July 1, 2009, until June 30, 2034, upon approval of a constitutional amendment at the 2008 general election

EXPLANATION OF THE BILL

The current general sales and use tax rate is 6.5%. Sales tax revenue is deposited in the state General Fund. The bill proposes a constitutional amendment, to be voted on at the 2008 general election, that would increase the general sales and use tax rate by three-eighths of one percentage point (0.375%) to 6.875% and dedicate the additional revenue as follows:

- 33% to a newly-created Heritage Enhancement Fund for preservation, enhancement, and protection of fish, wildlife, habitat, and land resources;
- 43% to a newly-created Great Outdoors Minnesota Fund for protection and restoration of the state's lakes, rivers, streams, wetlands, groundwater, parks, trails, natural areas, and historic sites;
- 24% to a newly-created Cultural Legacy Fund to be spent only on arts, arts education, and arts access.

The money dedicated under the constitutional amendment would be appropriated by law. The new money could not be used as a substitute for traditional funding sources but would supplement traditional sources. Land acquired by fee from the Heritage Enhancement Fund would be open to fishing and game hunting during the open season unless otherwise provided by law.

The bill would also create a Heritage Enhancement Council consisting of members of the legislature and representatives of hunting, fishing, and wildlife interests.

REVENUE ANALYSIS DETAIL

- The estimates were based on the February 2007 state revenue forecast and Department of Revenue data.
- The forecast amounts for FY 2010 and 2011 were adjusted to exclude the 6.2% motor vehicle rental tax, the 2.5% liquor gross receipts tax, and the general fund portions of solid waste management tax and the lottery in-lieu sales tax. Revenues from these sources are included in the sales tax forecast.
- Estimated additional revenue from the rate increase was computed and assigned to the three new funds.
- The estimates for fiscal year 2010 were adjusted for the effective date of July 1, 2009, 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