

MINNESOTA • REVENUE

SALES AND USE TAX 0.25 Percentage-Point Rate Increase for Natural Resources Purposes

January 23, 2007

Department of Revenue
Analysis of S.F. 20 (Chaudhary)

	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	\$86,800	\$98,400
Clean Water Legacy Fund	\$0	\$0	\$52,100	\$59,000
Parks and Trails Fund	<u>\$0</u>	<u>\$0</u>	<u>\$34,700</u>	<u>\$39,300</u>
Total - All Funds	\$0	\$0	\$173,600	\$196,700

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% and the 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 one-fourth of one percentage point (0.25%) to 6.75% and dedicate the additional revenue as follows:

- 50% of the additional revenue to a newly-created Heritage Enhancement Fund for improvement, enhancement, and protection of fish, game, and wildlife habitat;
- 30% of the additional revenue to a newly-created Clean Water Legacy Fund to be spent only on protection and restoration of lakes, rivers, streams, wetlands, and groundwater; and
- 20% of the additional revenue to a newly-created Parks and Trails Fund to be spent only on parks, trails, and zoos.

The money dedicated under the constitutional amendment would be appropriated by law. The money could not be used as a substitute for traditional funding sources but would supplement the traditional sources.

The bill creates a Heritage Enhancement Council consisting of members of the legislature, and representatives of hunting, fishing, and wildlife interests appointed by the legislature and the governor.

REVENUE ANALYSIS DETAIL

- The estimates were based on the November 2006 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 and 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 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