

MINNESOTA • REVENUE

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

January 23, 2007

Department of Revenue
Analysis of S.F. 37 (Cohen)

	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	\$59,000	\$66,800
Parks and Trails Fund	\$0	\$0	\$38,200	\$43,300
Clean Water Fund	\$0	\$0	\$38,200	\$43,300
Arts, Humanities, Museum and Public Broadcasting Fund	<u>\$0</u>	<u>\$0</u>	<u>\$38,200</u>	<u>\$43,300</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%. 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 one-fourth of one percentage point (0.25%) to 6.75% and dedicate the additional revenue as follows:

- 34% of the additional revenue to a newly-created Heritage Enhancement Fund for improvement, enhancement, and protection of fish, wildlife, habitat, and related tourism;
- 22% of the additional revenue to a newly-created Parks and Trails Fund to be spent only on parks, trails, and zoos;
- 22% of the additional revenue to a newly-created Clean Water Fund to be spent only on protection of lakes, rivers, streams, wetlands, and groundwater; and
- 22% of the additional revenue to a newly-created Arts, Humanities, Museum, and Public Broadcasting Fund for appropriation to various cultural organizations and public broadcasting.

The money dedicated under the constitutional amendment would be appropriated by law. The new money that is dedicated to natural resource purposes and to history could not be used as a substitute for traditional funding sources but would supplement the traditional sources.

The bill also creates a Heritage Enhancement Council and a Clean Waters Council whose members would include various public officials and private interest groups.

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 four 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