TAX EXPENDITURE BUDGET
Modification to Definitions

February 21, 2012

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1216 (Downey)

	Fund Impact			
	F.Y. 2012	**F.Y. 2013**	**F.Y. 2014**	**F.Y. 2015**
	(000's)			
General Fund	$0	$0	$0	$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: The Commissioner of Revenue is required to prepare a Tax Expenditure Budget and submit it to the Legislature by February 1 of each even-numbered year. The Tax Expenditure Budget is to include the tax expenditures for all state taxes and for all local taxes applied statewide.

The term "tax expenditure" is defined as a tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue.

Proposed Law: The bill would rename the Tax Expenditure Budget as the Tax Relief and Tax Expenditure Report. A distinction would be made between nonrefundable and refundable tax provisions. A nonrefundable tax provision would be defined as "tax relief". A provision that results in a refund in excess of tax liability would be defined as a "tax expenditure". The biennial report would include both tax relief provisions and tax expenditure provisions.

In the statement of purpose, the bill would delete the language stating that state government policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of tax expenditures. It would also delete the language stating that both direct and tax expenditures have an effect on the ability of state and local governments to lower tax rates or to increase expenditures. Also, the word "cost" would be replaced with "amount".

REVENUE ANALYSIS DETAIL

- The bill would have no impact on state revenue.

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