MINNESOTA · REVENUE

TAX EXPENDITURE REVIEW ACT

February 12, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 53 (Reinert) As Proposed to be Amended (SCS0053A-2) ***Analysis Revised to Remove Indication of Possible Revenue Impact for FY 2016-2017***

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
General Fund	$0	$0	$0	$0

Effective August 1, 2013.

EXPLANATION OF THE BILL

The bill would create a new chapter in Minnesota Statutes, Chapter 290D, the Tax Expenditure Review Act. It would create a twelve-member Tax Expenditure Advisory Commission appointed by the governor, with six legislative members and six public members, as specified. The bill provides for the terms of the members.

The commission would employ an executive director who would be authorized to hire staff. No appropriation is made for salaries or other expenses.

The bill sets out a schedule for the review of tax expenditures. The tax expenditures are divided into five groups according to the chapter of the Minnesota Statutes. The first group would be subject to review in 2015, and other groups would be subject to review at two-year intervals, with the fifth group being subject to review in 2023. After the initial date, each group would be subject to review at ten-year intervals.

The Department of Revenue would be required to report before September 1st of each even-numbered year the specified information on tax expenditures subject to review during the following biennium. In addition to the information contained in the Tax Expenditure Budget, the Department would be required to provide the following information for each item:

- The positive and negative impacts of the expenditure on the taxpayer(s) before or after the tax expenditure;
- The impact on the tax incidence in the state;
- The economic development impacts, including the impact on jobs, wages, and benefits;
- The cumulative fiscal impacts of other state and federal taxes providing benefits to taxpayers for similar activities;
- The measurable impacts of the tax expenditure in meeting the goal of the expenditure;
- A comparison of the tax expenditure with tax treatment of taxpayers engaged in similar activities in neighboring states; and
- Consideration of the probable impact on overall uniformity and fairness of the tax code.

EXPLANATION OF THE BILL (Cont.)

Before February 1 of the first year of a regularly-scheduled legislative session, the commission would be required to review information on tax expenditures scheduled for review in that legislative session. They would be required to hold public hearings, as specified. They would vote on recommendations for continuation or repeal of each tax expenditure item and then, by February 1, report to the Senate and House Tax Committees.

As proposed to be amended, there would be no expiration dates for current tax expenditures; therefore, there would be no impact on state revenue.

The bill requires that legislation that creates, renews, or continues a tax expenditure must include a statement of its purpose and a standard or goal against which its effectiveness may be measured and an expiration date. **Note:** A similar provision, Minnesota Statutes, Section 3.192, was enacted in 2010, except that it does not require an expiration date.

The commission would be allowed to accept gifts, grants, and donations from any 501(c)(3) organization for funding the activity of the commission or its staff.

REVENUE ANALYSIS DETAIL

- As proposed to be amended, the bill would have no impact on state revenue.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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