

April 3, 2023
Tax Provisions Only

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2335 (Howard) 1st Engrossment, As Proposed to be Amended (H2335A12)

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Metropolitan County Aid Account	\$99,600	\$112,200	\$115,700	\$119,000
State Rent Assistance Account	\$41,500	\$46,800	\$48,200	\$49,600
Metropolitan City Aid Account	\$24,900	\$28,100	\$28,900	\$29,800
Local Sales Tax Total	\$166,000	\$187,100	\$192,800	\$198,400

Assumed effective for sales and purchases made after June 30, 2023.

EXPLANATION OF THE BILL

Current Law: Currently, the seven metropolitan counties all have imposed a country transportation tax. Anoka and Dakota counties have imposed the tax at 0.25%. Carver, Hennepin, Ramsey, Scott, and Washington counties have imposed the tax at 0.5%. All seven counties have also imposed a \$20 vehicle excise tax. In addition to the transit tax, Hennepin County has a 0.15% general sales tax.

Proposed Law: In addition to existing local sales and use taxes, the bill as amended would impose a sales and use tax of 0.25% in the metropolitan area or to a destination in the metropolitan area. The tax would apply on the same base as the state sales and use tax.

The proceeds of the tax are to be distributed as follows: 60% to the metropolitan county aid account, 25% to the state rent assistance account, and 15% to the metropolitan city aid account.

REVENUE ANALYSIS DETAIL

- The estimate is based on the defined metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties excluding the cities of Cannon Falls, Northfield, Hanover, Rockford, and New Prague.
- The estimate is based on fiscal year 2022 collections of the currently imposed transit taxes.
- Total collections for the seven county transit taxes were \$284.6 million for fiscal year 2022.
- Growth is based on the February 2023 forecast for the state general sales and use tax.
- The estimates do not net out administrative costs retained by the Department of Revenue.
- The fiscal year 2024 estimate is adjusted for eleven months of impact.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>