

May 10, 2023
Tax Provisions Only

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2335 (Howard) 5th Engrossment

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Metropolitan County Aid Account	\$60,400	\$93,600	\$96,500	\$99,300
State Rent Assistance Account	\$30,200	\$46,800	\$48,200	\$49,600
Metropolitan City Aid Account	<u>\$30,200</u>	<u>\$46,800</u>	<u>\$48,200</u>	<u>\$49,600</u>
Local Sales Tax Total	\$120,800	\$187,200	\$192,900	\$198,500

Assumed effective for sales and purchases made after October 1, 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: 50% to the metropolitan county aid account, 25% to the state rent assistance account, and 25% to the metropolitan city aid account.

REVENUE ANALYSIS DETAIL

- The defined metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties.
- 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 eight months of impact.

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