

MINNESOTA • REVENUE

SALES AND USE TAX 0.375 Percentage-Point Rate Increase for Natural and Cultural Resources

January 31, 2008

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2285 (Sertich), Sections 1 and 2,
Conference Committee Report posted May 21, 2007

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
			(000's)	
Outdoor Heritage Fund	\$0	\$0	\$80,600	\$91,100
Clean Water Fund	\$0	\$0	\$80,600	\$91,100
Parks and Trails Fund	\$0	\$0	\$34,800	\$39,300
Arts and Cultural Heritage Fund	\$0	\$0	<u>\$48,200</u>	<u>\$54,500</u>
Total - All Funds	\$0	\$0	\$244,200	\$276,000

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 three-eighths of one percentage point (0.375%) to 6.875% and dedicate the additional proceeds as follows:

- 33% to a newly-created Outdoor Heritage Fund to be spent only to restore, protect, and enhance wetlands, prairies, forests, and habitat for game, fish, and wildlife;
- 33% to a newly-created Clean Water Fund to be spent only to protect, enhance, and restore water quality in lakes, rivers, and streams, with at least 5% of the fund spent to protect drinking water sources;
- 14.25% to a newly-created Parks and Trails Fund to be spent only to support parks and trails of regional or statewide significance;
- 19.75% to a newly-created Arts and Cultural Heritage Fund to be spent only for arts, arts education, and arts access, and to preserve Minnesota's history and cultural heritage.

The money dedicated under the constitutional amendment would be appropriated by law. The dedicated money must supplement traditional funding sources for these purposes and could not be used as a substitute. Land acquired by fee with money from the outdoor heritage fund must be open to public taking of game and fish during the open season.

REVENUE ANALYSIS DETAIL

- The estimates were based on the November 2007 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. Receipts from these sources are included in the sales tax forecast.
- Estimated additional revenue from the rate increase was then computed and allocated to each new fund.
- 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.
- The estimates may need updating to the February 2008 forecast.

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