

March 6, 2025

Rep. Greg Davids
Chair, Taxes Committee
Minnesota House of Representatives

Rep. Aisha Gomez
DFL Lead, Taxes Committee
Minnesota House of Representatives

Rep. Paul Torkelson
Chair, Ways and Means Committee
Minnesota House of Representatives

Rep. Zack Stephenson
DFL Lead, Ways and Means Committee
Minnesota House of Representatives

Rep. Joe McDonald
Chair, Legacy Finance Committee
Minnesota House of Representatives

Rep. Samantha Vang
DFL Lead, Legacy Finance Committee
Minnesota House of Representatives

Sen. Ann Rest
Chair, Taxes Committee
Minnesota State Senate

Sen. Bill Weber
Ranking Member, Taxes Committee
Minnesota State Senate

Sen. John Marty
Chair, Finance Committee
Minnesota State Senate

Sen. Eric Pratt
Ranking Member, Finance Committee
Minnesota State Senate

Sen. FOUNG Hawj
Chair, Environment, Climate and Legacy
Minnesota State Senate

Sen. Justin Eichorn
Ranking Member, Environment, Climate and Legacy
Minnesota State Senate

Committee Leaders,

The Minnesota Department of Revenue has identified and corrected an issue with Legacy funds distribution calculations.

Historically, Revenue has taken total tax reported on the Variable Rate Tax line of the Minnesota Sales and Use Tax return and distributed a portion to the Legacy funds under the assumption that all taxpayers reporting on this line were subject to the Legacy tax.

After a recent internal review of processes and procedures, we discovered an error in distributing revenues from this line that are not subject to the Legacy tax. We discovered this practice has been ongoing since February 2010. As a result, Revenue has over-distributed tax receipts to the Legacy funds and under-distributed to the general fund since February 2010.

To correct this issue, Revenue has updated its distribution processes and will make the following revenue adjustments from each Legacy fund in Budget Fiscal Year 2024 back to the General Fund, totaling \$31,742,936:

- Outdoor Heritage \$10,475,169
- Arts/Cultural Heritage \$6,269,230
- Clean Water \$10,475,169
- Parks & Trails \$4,523,368

The over-distribution represents about \$2.1 million per year, which is about 0.4% of the total revenues distributed to the Legacy funds annually. The total amount being redistributed from the Legacy funds back into the General Fund in Budget Fiscal Year 2024 represents about 6.4% of the total revenues distributed to the Legacy funds annually.

These adjustments along with the ongoing annual impact will be reflected in the February Budget and Economic Forecast released on March 6, 2025.

If you have any additional questions, please do not hesitate to reach out.

Sincerely,



Paul Marquart
Commissioner