MINNESOTA BIENNIAL BUDGET

State and Local Finance Summary

2000-01

Presented by Governor Jesse Ventura
to the 81st Legislature

State of Minnesota
Department of Finance

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March 30, 1999

To: Senator Keith Langseth, Chairman
Senate Education Finance Committee

Senator Linda Berglin, Chairman
Senate Human Resources Finance Committee

Senator Richard Cohen, Chairman
Senate State Government Finance Committee

Representative Dave Bishop
House Ways and Means Committee

Fr: Pamela Wheelock, Commissioner

Re: Supplement Budget Items, Errata and Omissions to the Governor's 2000-01 Biennial Budget - Change Order #4 (Tax and Local Aids Document Revisions)

Only changes submitted under my signature should be considered as official changes in the Governor's Budget. This procedure is necessary to ensure control over the General Fund Balance as well as eliminate confusion regarding the Governor's Recommendations.

New numbers and language were inserted while deleting old inappropriate language or references on the budget narrative pages. New or revised pages have been provided for the Governor's updated tax rebate and tax cut recommendations based on the February 1999 forecast.

Enclosed is a one page summary which reflect the Governor's updated tax rebate and tax cut recommendations based on the February 1999 forecast.

Included also are revised pages for the Governor's Tax and Local Aids Document. The following pages have been revised.

Pages 3 and 5 revised: Price of Government recommendations

Page 6 revised: Governor's State and Local Finance Policy Proposals

Page 7 revised: Sales Tax Rebate

Page 8 revised: Individual Income Tax Reductions:

Page 8-A (new): Income Tax Credit

Page 8-B (new): Elimination of Modifications to Individual Income Tax

Page 10 revised: repeal of Accelerated Tax Payments

Page 12a (new): this page for the transfer from the Conservation to the General Fund was an omission from the original submission. The numbers were correct in the budget system.

Page 13 revised: Farm Assistance

Page 14 has been deleted. The Governor has rescinded his original recommendation for an up-front exemption to the sales tax on capital equipment.

Page 22 revised: Family Preservation Aid Delay

In addition to the revised initiative pages, a two page summary is included which displays current forecast numbers for the descriptions of revenues and local aid programs which were presented in the original document, pages 23 to 57. The two page summary displays current law forecast numbers for F.Y. 2000 - 2003 and references the corresponding page numbers in the January, 1999 Tax and Local Aids document.

February 1999 Forecast Update

Revenues

Page	Item	FY 2000	FY 2001	FY 2002	FY 2003
		Forecast Amounts ($ in thousands)			
23*	Individual Income Tax	5,804,100	6,136,100	6,392,000	6,675,000
24*	Corporate Franchise Tax	696,100	687,400	697,000	724,500
25*	Sales and Use Tax	3,602,601	3,741,738	3,869,000	4,003,600
26*	Motor Vehicle Sales Tax	454,800	461,400	470,000	485,900
27*	Inheritance, Gift, and Estate Tax	47,000	47,000	47,000	47,000
28*	Liquor, Wine, and Beer Tax	57,948	57,947	57,980	57,970
29*	Cigarette and Tobacco Products Tax	180,300	179,497	178,900	180,789
30*	Iron Ore and Taconite Occupation Taxes	150	150	150	150
31*	Deed and Mortgage Registration Tax	128,700	123,500	129,700	136,200
32*	Insurance Premiums Tax	172,100	178,300	183,600	189,200
33*	Controlled Substance Tax	140	140	140	140
34	Other Gross Earnings Tax	45	45	45	45
35*	Lawful Gambling Tax	63,346	63,346	63,362	63,362
36	Health Care Provider Tax	121,909	122,705	125,856	129,166
37*	Income Tax Reciprocity	41,545	39,791	41,097	41,301
38*	Motor Vehicle Registration Tax	850	900	900	950

* Numbers that have changed due to the 1999 February Forecast

February 1999 Forecast Update

Local Aids and Credits

Page	Item	FY 2000	FY 2001	FY 2002	FY 2003
		Forecast Amounts ($ in thousands)			
39*	Property Tax Refund (PTR)	192,519	197,135	205,833	213,488
40	Education Homestead Credit	284,220	317,255	326,563	333,229
41*	Disparity Reduction Credit	4,852	4,899	4,946	4,995
42	Enterprise Zone Credit	19	19	19	19
43*	Disaster Credit	801	34	0	0
44	Supplementary Property Tax Relief and Taconite Aid Reimbursement	1,105	1,105	1,105	1,105
45	Homestead and Agricultural Credit Aid (HACA)	487,132	477,474	468,350	465,642
46*	Local Government Aid (LGA)	386,549	390,787	400,189	409,798
47	Manufactured Home Homestead and Agricultural Credit Aid	7,554	7,612	7,647	7,689
48*	Police and Fire State Aid	60,447	62,797	67,987	70,884
49*	Family Preservation Aid	1,679	31,721	32,514	33,327
50	Local Performance Aid	9,768	10,012	10,263	10,519
51*	County Criminal Justice Aid	29,085	29,809	30,551	31,312
52	Attached Machinery Aid	3,218	3,218	3,218	3,218
53	Indian Casino Aid	798	798	798	798
54	Public Employees Retirement Association Aid	14,950	14,950	14,950	14,950
55	TIF Deficit Aid	1,000	1,000	0	0
56	Senior Deferral Reimbursement	2	20	20	20
57	Low Income Housing Aid	200	200	204	8

* Numbers that have changed due to the 1999 February Forecast

Governors Budget: Tax Rebate and Tax Cuts (March 1999)

($ in thousands)

	FY 1999	FY 2000	FY 2001	Biennium	FY 2002	FY 2003	Biennium
Sales Tax Rebate	1,321,396	----	----	----	----	----	----
Permanent Tax Cuts:							
Income Tax Reduction	----	543,100	407,800	950,900	430,200	452,400	882,600
Motor Vehicle Registration							
Maximum $75 Registration Fee	----	95,700	191,400	287,100	191,400	191,400	382,800
Itemized Deduction Offset	----	0	(8,500)	(8,500)	(9,100)	(9,700)	(18,800)
Subtotal Permanent Tax Cuts	----	638,800	590,700	1,229,500	612,500	634,100	1,246,600
One-Time Tax Cuts:							
Income Tax Credits	----	165,900	71,200	237,100	0	0	0
June Acceleration Buyback							
Sales	----	140,600	5,400	146,000	5,000	5,300	10,300
Cigarettes	----	12,000	0	12,000	0	0	0
Liquor	----	3,800	0	3,800	0	0	0
Expense MN Addbacks	----	0	85,000	85,000	(5,000)	(5,000)	(10,000)
Subtotal One-Time Tax Cuts	----	322,300	161,600	483,900	0	300	300
All Other Tax Changes:							
Sales Tax Exemptions							
Television Commercials	----	1,000	1,100	2,100	1,100	1,200	2,300
Veterans Homes, State Hospitals	----	600	600	1,200	700	700	1,400
Federal Update / Other	(9,610)	(8,135)	(5,085)	(13,220)	(2,195)	350	(1,845)
Farm Aid	60,000	----	----	----	----	----	----
Grand Total	$1,371,786	$954,565	$748,915	$1,703,480	$612,105	$636,650	$1,248,755

03/25/99

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Price of Government Recommendations

For the 2000-01 biennium, the Governor recommends revenue targets of $28.8 billion, or 10.4% of state personal income, for state government and $19.5 billion, or 7.0% of state personal income, for local governments. For the 2002-03 biennium, the Governor recommends targets of $31.3 billion, or 10.4 % of state personal income, for state government and $21.5 billion, or 7.1% of state personal income, for local governments.

These targets reflect the Governor's proposed tax reductions and revenue proposals.

Governor's 1999 Price of Government Recommendation

($ in millions)

	FY 2000	FY 2001	FY 2000-01	FY 2002	FY 2003	FY 2002-03
State Tax Revenues	11,794.5	12,531.2	24,325.8	13,120.5	13,620.6	26,741.1
as percent of personal income	8.7%	8.9%	8.8%	8.9%	8.9%	8.9%
State Non-Tax Revenues	2,247.7	2,263.1	4,510.7	2,323.9	2,201.3	4,525.2
as percent of personal income	1.7%	1.6%	1.6%	1.6%	1.4%	1.5%
Subtotal – State Revenues	14,042.2	14,794.3	28,836.5	15,444.4	15,821.9	31,266.3
as percent of personal income	10.3%	10.4%	10.4%	10.5%	10.3%	10.4%
Local Tax Revenues	4,860.1	5,076.5	6,936.6	5,305.4	5,541.1	10,846.5
as percent of personal income	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Local Non-Tax Revenues	4,671.1	4,907.1	9,578.1	5,167.2	5,437.6	10,604.9
as percent of personal income	3.4%	3.5%	3.4%	3.5%	3.5%	3.5%
Subtotal – Local Revenues	9,531.2	9,983.6	19,514.8	10,472.6	10,978.8	21,451.4
as percent of personal income	7.0%	7.1%	7.0%	7.1%	7.1%	7.1%
Total Revenues	23,573.4	24,777.9	48,351.3	25,917.1	26,800.7	52,717.7
as percent of personal income	17.3%	17.5%	17.4%	17.6%	17.4%	17.5%
State Personal Income	136,077.0	141,576.0	277,653.0	147,357.3	153,757.4	301,114.8
Total Revenues – February Forecast	24,563.8	25,540.1	50,103.9	26,530.1	27,450.6	53,980.7
Change from February Forecast	(990.4)	(762.3)	(1,752.6)	(613.0)	(650.0)	(1,263.0)

Price of Government Recommendations

For the 2000-01 biennium, the Governor recommends revenue targets of $28.8 billion, or 10.4% of state personal income, for state government and $19.5 billion, or 7.0% of state personal income, for local governments. For the 2002-03 biennium, the Governor recommends targets of $31.1 billion, or 10.3 % of state personal income, for state government and $21.3 billion, or 7.0% of state personal income, for local governments.

These targets reflect the Governor's proposed tax reductions and revenue proposals.

Governor's 1999 Price of Government Recommendation

($ in millions)

	FY 2000	FY 2001	FY 2000-01	FY 2002	FY 2003	FY 2002-03
State Tax Revenues	11,805.8	12,529.9	24,335.7	13,045.9	13,635.9	26,681.9
as percent of personal income	8.7%	8.8%	8.8%	8.8%	8.8%	8.8%
State Non-Tax Revenues	2,220.7	2,224.7	4,445.3	2,274.4	2,145.1	4,419.5
as percent of personal income	1.6%	1.6%	1.6%	1.5%	1.4%	1.6%
Subtotal – State Revenues	14,026.5	14,754.6	28,781.1	15,320.3	15,781.0	31,101.4
as percent of personal income	10.4%	10.4%	10.4%	10.4%	10.2%	10.3%
Local Tax Revenues	4,858.7	5,052.1	9,910.8	5,278.2	5,492.5	10,770.6
as percent of personal income	3.6%	3.6%	3.6%	3.6%	3.5%	3.6%
Local Non-Tax Revenues	4,661.3	4,896.0	9,557.3	5,154.4	5,422.9	10,577.3
as percent of personal income	3.4%	3.5%	3.4%	3.5%	3.5%	3.5%
Subtotal – Local Revenues	9,520.0	9,948.1	19,468.1	10,432.6	10,915.3	21,347.9
as percent of personal income	7.0%	7.0%	7.0%	7.1%	7.0%	7.0%
Total Revenues	23,546.5	24,702.7	48,249.2	25,753.0	26,696.3	52,449.3
as percent of personal income	17.4%	17.4%	17.4%	17.4%	17.2%	17.3%
State Personal Income	135,455.4	141,707.2	277,162.6	147,861.0	154,978.2	302,839.2
Total Revenues – November Forecast	24,302.7	25,349.2	49,652.0	26,331.1	27,304.3	53,635.4
Change from November Forecast	(756.2)	(646.5)	(1,402.8)	(578.1)	(608.0)	(1,186.1)

Price of Government Law

The 1994 Tax Bill included provisions, commonly referred to as the "Price of Government" legislation, that made several changes in the State's budget process:

- In November and February prior to the start of a biennium, the Departments of Finance and Revenue are required to project state and local taxes, other revenues and personal income for the current biennium and the two future biennia. This historical and projected data is to be presented by type of government and major revenue source.

- In January, the Governor is required to recommend revenue targets for the next two biennia that specify:

  - the maximum percentage of personal income to be collected in state and local taxes and other revenues;

  - the division of the share between state and local government revenues;

  - the appropriate mix and rates of income, sales, and other state and local taxes and other revenues and the amount of property taxes; and

  - the effect of the recommendations on the incidence of the tax burden by income class.

- By March 15th, the Legislature is required to adopt by concurrent resolution its own revenue targets for the same periods, including the same information as presented by the Governor. The Legislature's targets will be based on the February state and local revenue forecast prepared jointly by the Departments of Finance and Revenue.

These requirements ensure that the level of resources is established first, before decisions about spending are made. As a result, taxpayers are protected from tax and revenue increases driven by spending decisions.

November Forecast of State and Local Revenues

The starting point for the Governor's revenue target recommendation was the November 1998 forecast of state and local revenues. The forecast, prepared jointly by the Departments of Finance and Revenue, projected revenues based on current law, using current tax rates.

Governor's 1999 Price of Government Recommendation

By Government and Revenue Type ($ and % of Personal Income)

($ in thousands)

Fiscal Year	Gov't Unit	Taxes: Income		Taxes: Sales		Taxes: Property		Taxes: Other		Non-Tax Revenues		Total	
1998	State	4,746,569	3.9%	3,251,685	2.6%	0	0.0%	3,313,678	2.7%	2,062,767	1.7%	13,374,699	10.9%
	Local	0	0.0%	86,825	0.1%	4,724,239	3.8%	148,996	0.1%	4,163,851	3.4%	9,123,911	7.4%
	Total	4,746,569	3.9%	3,338,510	2.7%	4,724,239	3.8%	3,462,674	2.8%	6,226,618	5.1%	22,498,610	18.3%
1999	State	5,138,670	3.9%	2,089,446	1.6%	0	0.0%	3,406,638	2.6%	2,447,990	1.9%	13,082,744	10.0%
	Local	0	0.0%	92,382	0.1%	4,637,324	3.6%	155,374	0.1%	4,405,343	3.4%	9,290,423	7.1%
	Total	5,138,670	3.9%	2,181,828	1.7%	4,637,324	3.6%	3,562,012	2.7%	6,853,333	5.3%	22,373,167	17.2%
1998-99	State	9,885,239	3.9%	5,341,131	2.1%	0	0.0%	6,720,316	2.7%	4,510,757	1.8%	26,457,443	10.4%
	Local	0	0.0%	179,207	0.1%	9,361,563	3.7%	304,370	0.1%	8,569,194	3.4%	18,414,334	7.3%
	Total	9,885,239	3.9%	5,520,338	2.2%	9,361,563	3.7%	7,024,686	2.8%	13,079,951	5.2%	44,871,777	17.7%
2000	State	5,097,685	3.7%	3,460,401	2.5%	0	0.0%	3,236,451	2.4%	2,247,690	1.7%	14,042,227	10.3%
	Local	0	0.0%	97,287	0.1%	4,604,838	3.4%	157,971	0.1%	4,671,059	3.4%	9,531,155	7.0%
	Total	5,097,685	3.7%	3,557,688	2.6%	4,604,838	3.4%	3,394,422	2.5%	6,918,749	5.1%	23,573,382	17.3%
2001	State	5,581,500	3.9%	3,734,638	2.6%	0	0.0%	3,215,083	2.3%	2,263,056	1.6%	14,794,277	10.4%
	Local	0	0.0%	102,038	0.1%	4,810,994	3.4%	163,515	0.1%	4,907,066	3.5%	9,983,613	7.1%
	Total	5,581,500	3.9%	3,836,676	2.7%	4,810,994	3.4%	3,378,598	2.4%	7,170,122	5.1%	24,777,890	17.5%
2000-01	State	10,679,185	3.8%	7,195,039	2.6%	0	0.0%	6,451,534	2.3%	4,510,746	1.6%	28,836,504	10.4%
	Local	0	0.0%	199,325	0.1%	9,415,832	3.4%	321,486	0.1%	9,578,125	3.4%	19,514,768	7.0%
	Total	10,679,185	3.8%	7,394,364	2.7%	9,415,832	3.4%	6,773,020	2.4%	14,088,871	5.1%	48,351,272	17.4%
2002	State	5,975,500	4.1%	3,862,200	2.6%	0	0.0%	3,282,816	2.2%	2,323,919	1.6%	15,444,435	10.5%
	Local	0	0.0%	106,732	0.1%	5,029,364	3.4%	169,318	0.1%	5,167,228	3.5%	10,472,642	7.1%
	Total	5,975,500	4.1%	3,968,932	2.7%	5,029,364	3.4%	3,452,134	2.3%	7,491,147	5.1%	25,917,077	17.6%
2003	State	6,236,475	4.1%	3,996,400	2.6%	0	0.0%	3,387,713	2.2%	2,201,311	1.4%	15,821,899	10.3%
	Local	0	0.0%	111,641	0.1%	5,254,095	3.4%	175,391	0.1%	5,437,624	3.5%	10,978,751	7.1%
	Total	6,236,475	4.1%	4,108,041	2.7%	5,254,095	3.4%	3,563,104	2.3%	7,638,935	5.0%	26,800,650	17.4%
2002-03	State	12,211,975	4.1%	7,858,600	2.6%	0	0.0%	6,670,529	2.2%	4,525,230	1.5%	31,266,334	10.4%
	Local	0	0.0%	218,373	0.1%	10,283,459	3.4%	344,709	0.1%	10,604,852	3.5%	21,451,393	7.1%
	Total	12,211,975	4.1%	8,076,973	2.7%	10,283,459	3.4%	7,015,238	2.3%	15,130,082	5.0%	52,717,727	17.5%

Governor's 1999 Price of Government Recommendation

By Government and Revenue Type ($ and % of Personal Income)

($ in thousands)

		Taxes											
Fiscal Year	Gov't Unit	Income		Sales		Property		Other		Non-Tax Revenues		Total	
1998	State	4,746,569	3.9%	3,251,685	2.6%	0	0.0%	3,313,678	2.7%	2,062,767	1.7%	13,374,699	10.9%
	Local	0	0.0%	86,825	0.1%	4,718,294	3.8%	148,996	0.1%	4,156,225	3.4%	9,110,340	7.4%
	Total	4,746,569	3.9%	338,510	2.7%	4,718,294	3.8%	3,462,674	2.8%	6,218,992	5.0%	22,485,039	18.2%
1999	State	4,997,670	3.8%	2,326,320	1.8%	0	0.0%	3,291,829	2.5%	2,443,584	1.9%	13,059,403	10.0%
	Local	0	0.0%	92,382	0.1%	4,638,004	3.6%	155,374	0.1%	4,396,712	3.4%	9,282,472	7.1%
	Total	4,997,670	3.8%	2,418,702	1.9%	4,638,004	3.6%	3,447,203	2.7%	6,840,296	5.3%	22,341,875	17.2%
1998-99	State	9,744,239	3.8%	5,578,005	2.2%	0	0.0%	6,605,507	2.6%	4,506,351	1.8%	26,434,102	10.4%
	Local	0	0.0%	179,207	0.1%	9,356,298	3.7%	304,370	0.1%	8,552,937	3.4%	18,392,812	7.3%
	Total	9,744,239	3.8%	5,757,212	2.3%	9,356,298	3.7%	6,909,877	2.7%	13,059,218	5.2%	44,826,914	17.7%
2000	State	5,190,885	3.8%	3,435,001	2.5%	0	0.0%	3,179,928	2.3%	2,220,668	1.6%	14,026,482	10.4%
	Local	0	0.0%	97,287	0.1%	4,603,426	3.4%	157,971	0.1%	4,661,301	3.4%	9,519,985	7.0%
	Total	5,190,885	3.8%	3,532,288	2.6%	4,603,426	3.4%	3,337,899	2.5%	6,881,969	5.1%	23,546,467	17.4%
2001	State	5,676,800	4.0%	3,639,138	2.6%	0	0.0%	3,213,956	2.3%	2,224,676	1.6%	14,754,570	10.4%
	Local	0	0.0%	102,038	0.1%	4,786,543	3.4%	163,515	0.1%	4,896,047	3.5%	9,948,143	7.0%
	Total	5,676,800	4.0%	3,741,176	2.6%	4,786,543	3.4%	3,377,471	2.4%	7,120,723	5.0%	24,702,713	17.4%
2000-01	State	10,867,685	3.9%	7,074,139	2.6%	0	0.0%	6,393,884	2.3%	4,445,344	1.6%	28,781,052	10.4%
	Local	0	0.0%	199,325	0.1%	9,389,969	3.4%	321,486	0.1%	9,557,348	3.4%	19,468,128	7.0%
	Total	10,867,685	3.9%	7,273,464	2.6%	9,389,969	3.4%	6,715,370	2.4%	14,002,692	5.1%	48,249,180	17.4%
2002	State	5,920,000	4.0%	3,845,600	2.6%	0	0.0%	3,280,332	2.2%	2,274,391	1.5%	15,320,323	10.4%
	Local	0	0.0%	106,732	0.1%	5,002,141	3.4%	169,318	0.1%	5,154,441	3.5%	10,432,632	7.1%
	Total	5,920,000	4.0%	3,952,332	2.7%	5,002,141	3.4%	3,449,650	2.3%	7,428,832	5.0%	25,752,955	17.4%
2003	State	6,225,175	4.0%	4,001,300	2.6%	0	0.0%	3,409,472	2.2%	2,145,082	1.4%	15,781,029	10.2%
	Local	0	0.0%	111,641	0.1%	5,205,418	3.4%	175,391	0.1%	5,422,865	3.5%	10,915,315	7.0%
	Total	6,225,175	4.0%	4,112,941	2.7%	5,205,418	3.4%	3,584,863	2.3%	7,567,947	4.9%	26,696,344	17.2%
2002-03	State	12,145,175	4.0%	7,846,900	2.6%	0	0.0%	6,689,804	2.2%	4,419,473	1.5%	31,101,352	10.3%
	Local	0	0.0%	218,373	0.1%	10,207,559	3.4%	344,709	0.1%	10,577,306	3.5%	21,347,947	7.0%
	Total	12,145,175	4.0%	8,065,273	2.7%	10,207,559	3.4%	7,034,513	2.3%	14,996,779	5.0%	52,449,299	17.3%

Governor's State and Local Finance Policy Proposals

Governor's Tax Revenue Initiatives	FY 1999	FY 2000	FY 2001
General Fund			
Sales Tax Rebate	$ (1,087,334)		
Individual Income Tax Reductions		$ (492,300)	$ (351,400)
Reduce Motor Vehicle Registration Tax			$ 8,500
Repeal of June Accelerated Tax Payments		$ (155,300)	$ (6,600)
Sales and Use Tax Exemption for Television Commercials		$ (1,000)	$ (1,100)
Sales Tax Exemption for State Hospitals and Veteran's Homes		$ (600)	$ (600)
Upfront Exemption for Capital Equipment			$ (98,000)
Federal Update to 1998 Federal Changes	$ 9,610	$ 8,370	$ 5,355
Simplification of Insurance Premiums Tax Retaliatory Provisions		$ (35)	$ (70)
Self-Hauler Tax Rate Reduction		$ (200)	$ (200)
Highway User Tax Distribution Fund			
Reduce Motor Vehicle Registration Tax		$ (95,700)	$ (204,100)
Health Care Access Fund			
Exempt Educational Institutions from Provider Tax		$ (10)	$ (20)
Exempt Services Provided to Nursing Homes		$ (5)	$ (10)

Governor's Expenditure Changes	FY 1999	FY 2000	FY 2001
General Fund			
Reduce Motor Vehicle Registration Tax		$ 95,700	$ 191,400
Abatement Aid to Farmers	$ 10,000		
Family Reservation Aid Delay			$ (20,000)

Governor's State and Local Finance Policy Proposals

Governor's Tax Revenue Initiatives	FY 1999	FY 2000	FY 2001
General Fund			
Sales Tax Rebate	$ (1,321,396)		
Individual Income Tax Reductions		$ (543,100)	$ (407,800)
Individual Income Tax Credits		$ (165,900)	$ (71,200)
Individual Income Tax MN Addbacks			$ (85,000)
Reduce Motor Vehicle Registration Tax			$ 8,500
Repeal of June Accelerated Tax Payments		$ (156,400)	$ (5,400)
Sales and Use Tax Exemption for Television Commercials		$ (1,000)	$ (1,100)
Sales Tax Exemption for State Hospitals and Veteran's Homes		$ (600)	$ (600)
Federal Update to 1998 Federal Changes	$ 9,610	$ 8,370	$ 5,355
Simplification of Insurance Premiums Tax Retaliatory Provisions		$ (35)	$ (70)
Self-Hauler Tax Rate Reduction		$ (200)	$ (200)
Highway User Tax Distribution Fund			
Reduce Motor Vehicle Registration Tax		$ (95,700)	$ (204,100)
Health Care Access Fund			
Exempt Educational Institutions from Provider Tax		$ (10)	$ (20)
Exempt Services Provided to Nursing Homes		$ (5)	$ (10)

Governor's Expenditure Changes	FY 1999	FY 2000	FY 2001
General Fund			
Reduce Motor Vehicle Registration Tax		$ 95,700	$ 191,400
Abatement Aid to Farmers	$ 60,000		
Family Preservation Aid Delay			$ (30,000)
Delay Transfer from Homestead Ag Credit Aid to Family Preservation Aide			$ 10,000

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales Tax System

ITEM TITLE: Sales Tax Rebate

		2000-01 Biennium		2002-03 Biennium	
	F.Y. 1999	**F.Y. 2000**	**F.Y. 2001**	**F.Y. 2002**	**F.Y. 2003**
Expenditures: ($000s)					
General Fund					
- State Operations		$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)					
General Fund	$(1,087,334)	$-0-	$-0-	$-0-	$-0-

Statutory Change? Yes _X_ No____

If yes, statutes(s) affected: M.S.

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends rebating $1.087 billion of estimated sales taxes paid by Minnesota residents in 1997 and 1998. All Minnesota residents and partial year residents who filed for a 1997 property tax rebate on or before 4-15-99 would be eligible. The sales tax rebate would equal 35% of estimated sales taxes paid by households during the last 2 years. The maximum rebate would be equal to $2,000 for those filing married joint and head of household and be equal to $1,000 for those filing single or married separate returns.

RATIONALE:

The Governor believes that a rebate in the form of a sales tax rebate is the most fair and equitable way to give the surplus money back to Minnesotans.

FINANCING:

This proposal will result in a cost of $1.087 billion to the state's General Fund in F.Y. 1999.

OUTCOMES:

The average rebate would be $779 if filing joint or head of household and $385 if filing single.

The Department of Revenue will administer the rebate program. Of the $1.087 billion, up to $1 million would be available to the department to administer the rebate.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Income Tax System

ITEM TITLE: Individual Income Tax Reductions

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund Permanent Tax Cuts	$(492,300)	$(351,400)	$(368,400)	$(385,500)

Statutory Change? Yes __X__ No____

If yes, statutes(s) affected: M.S. 290.06

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends reducing Minnesota's income tax by nearly $1.6 billion over the next 4 years. The Governor's plan targets the income tax reduction to the middle income working family in 3 ways.

First, the Governor recommends eliminating the "marriage penalty" that is attributed to Minnesota's tax structure. Under current law the tax brackets for married couples filing joint returns are less than double the brackets for single taxpayers. For most married, working couples this results in more Minnesota taxes being paid by 2 spouses when filing a joint return than would be if they could file as single filers. The Governor recommends eliminating the marriage penalty by increasing the brackets for married joint filers to twice those for single filers.

Second, the Governor recommends reducing the low bracket tax rate from 6% to 5.8% in the first year, and to 5.75% in the second year and thereafter.

Third, the Governor recommends increasing the upper end of the first taxable income bracket so that taxpayers can earn more money before they have to pay a higher marginal tax rate.

	Current	Proposed
Married Joint Filers	25,000	41,000
	100,000	113,000
Single Filers	17,250	20,840
Head of Household Filers	21,240	31,260

RATIONALE:

The Governor believes that Minnesota's individual income tax burden is too high and under the current economic environment, the tax is generating excessive revenues relative to state budgetary needs. The Governor also believes that reductions in the individual income tax should benefit all Minnesota income taxpayers but that most of the relief should be targeted to middle income, working families.

FINANCING:

The proposal will result in an estimated loss of state General Fund revenues amounting to $843.7 million in the F.Y. 2000-01 biennium and $753.9 million in the F.Y. 2002-03 biennium.

OUTCOMES:

When fully implemented, the average income tax reduction will be approximately 6%. A middle income, working family earning $70,000 with 2 children would realize tax savings of approximately $413 or 12.4%.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales Tax System

ITEM TITLE: Sales Tax Rebate

	F.Y. 1999	2000-01 Biennium F.Y. 2000	2000-01 Biennium F.Y. 2001	2002-03 Biennium F.Y. 2002	2002-03 Biennium F.Y. 2003
Expenditures: ($000s)					
General Fund					
- State Operations		$0	$0	$0	$0
Revenues: ($000s)					
General Fund	$(1,321,396)	$0	$0	$0	$0

Statistory Change? Yes X No ___

If yes, statutes(s) affected: Uncodified

New Activity: Yes

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor recommends rebating $1.321 billion of estimated sales taxes paid by Minnesota taxpayers. Eligible recipients would include all Minnesota residents and partial year residents who filed for the 1997 property tax rebate prior to April 15, 1999 or who filed a 1997 income tax return with at least $1 of tax before refundable credits who is not claimed as a dependent. Persons who were not residents of Minnesota and who paid more than $10 of consumer sales taxes in 1997 may also apply for a rebate.

RATIONALE:

The Governor believes that a rebate in the form of a sales tax rebate is the most fair and equitable way to give the surplus money back to Minnesotans.

FINANCING:

This proposal will result in a cost of $1.321 billion to the state's general fund in F.Y. 1999.

OUTCOMES:

The average rebate would be $851 if filing joint or head of household and $421 if filing single.

The Department of Revenue will administer the rebate program. Of the $1.321 billion, up to $1 million would be available to the departent to administer the rebate.

Revision Date: 03/30/99

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Income Tax System

ITEM TITLE: Individual Income Tax Reductions

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$0	$0	$0	$0
Revenues: ($000s)				
General Fund Permanent Tax Cuts	$(543,100)	$(407,800)	$(430,200)	$(452,400)

Statutory change? Yes _X_ No ___

If yes, statutes(s) affected: M.S. 290.06, subd. 2(c); 290.091, subd. 3.

New Activity: Yes

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor recommends reducing Minnesota's income tax by over $1.8 billion over the next 4 years. The Governor's plan targets the income tax reduction to the middle income working family in 3 ways.

First, the Governor recommends eliminating the "marriage penalty" that is attributed to Minnesota's tax structure. Under current law the tax brackets for married couples filing joint return are less than double the brackets for single taxpayers. For most married, working couples this results in more Minnesota taxes being paid by 2 spouses when filing a joint return than would be if they could file as single filers. This same inequity exists in calculating the alternative minimum tax (AMT) exemption amounts and AMT income levels for exemption reduction. The Governor recommends eliminating the marriage penalty by increasing the brackets, AMT exemption amounts and income levels for exemption reductions for married joint filers to twice those for single filers.

Second, the Governor recommends reducing the low bracket tax rate from 6% to 5.75% (effective 1/1/99) and the middle bracket tax rate from 8% to 7.75% (effective 1/1/00).

Third, the Governor recommends increasing the upper end of the first taxable income bracket so that taxpayers can earn more money before they have to pay a higher marginal tax rate (effective 1/1/99).

	Current	Proposed
Married Joint Filers	$25,000	$40,880
	100,200	113,360
Single Filers	17,250	20,440
Head of Household Filers	21,240	30,650

RATIONALE:

The Governor believes that Minnesota's individual income tax burden is too high and under the current economic environment, the tax is generating excessive revenues relative to state budgetary needs. The governor also believes that reductions in the individual income tax should benefit all Minnesota income taxpayers but that most of the relief should be targeted to middle income, working families.

FINANCING:

The proposal will result in an estimated loss of state General Fund revenues amounting to $950.9 million in the F.Y. 2000-01 biennium and $882.6 million in the F.Y. 2002-3 biennium.

OUTCOMES:

When fully implemented, the average income tax reduction will be approximately 6.6%. The largest reduction will benefit households with income between $50,000 and $75,000 who will have their taxes reduced on average, by approximately $323 or 11.2%.

Revision Date: 03/29/99

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Income Tax System

ITEM TITLE: Income Tax Credit

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$0	$0	$0	$0
Revenues: ($000s)				
General Fund Permanent Tax Cuts	$(165,900)	$(71,200)	$0	$0

Statutory change? Yes _X_ No ___

If yes, statutes(s) affected: Uncodified

New Activity:

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an income tax credit for taxes payable in 1999 and 2000. This reduction would represent an estimated 3.0 percent discount, ($165.9 million) from taxes payable for 1999 and a 1.2% discount from taxes payable for 2000. The Governor recommends that the discount be across-the-board, uncapped, and not refundable.

RATIONALE:

The February 1999 revenue forecast provided additional, one-time revenues for F.Y. 2000 and F.Y. 2001. The one-time income tax credit is a way to return those dollars back to taxpayers in a simple and fair way. The income tax credit is a policy mechanism which mirrors (in reverse) the surcharges on income taxes enacted during the budget crisis in the early 1980s.

FINANCING:

The proposal will result in an estimated cost of $165.9 million to the state's General Fund in F.Y. 2000 and $71.2 million in F.Y. 2001.

OUTCOMES:

For each Minnesota income tax filer with a tax liability, the credit will reduce that tax by 3.0 percent in 1999 and 1.2 percent in 2000. The average tax credit will be $80 per eligible filer for tax year 1999 and $35 for tax year 2000.

Revision Date: 03/29/99

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Income Tax system

ITEM TITLE: Elimination of Modifications to Individual Income Tax

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$0	$0	$0	$0
Revenues: ($000s)				
General Fund	$0	$(85,000)	$5,000	$5,000
Permanent Tax Cuts				

Statutory change? Yes X No ___

If yes, statutes(s) affected: M.S. 290.01 subd. 19(b)(g)

New Activity: Yes

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor recommends eliminating Minnesota modifications to federal taxable income that were enacted in the early 1980's and allow individual income taxpayers to claim those expenses in the year 2000.

RATIONALE:

During the early 1980s the legislature added several Minnesota modifications to federal taxable income. This was an effort to increase revenues during a bad economic period. Several deductions that were allowed for federal purposes in the year the expense was incurred were delayed for Minnesota purposes. Included in these expenses were contributions to IRAs, Keoghs and public pensions along with ACRS depreciation deductions of individuals. These modifications to federal taxable income made our tax laws more complicated and placed a bigger compliance burden on individual taxpayers. This proposal allows these taxpayers to subtract these expenses all in one year, rather than over several years in the future, and removes the continuing requirement to add back a portion of depreciation expenses for the life of certain fifteen year assets.

FINANCING:

This proposal creates a one time shift, decreasing revenues, by allowing these expenses in the year 2000 instead of over several years in the future. The increased revenue in subsequent years results from the elimination of these deductions that would have offset other income tax revenues.

OUTCOMES:

This proposal will greatly reduce the compliance burden for these taxpayers. This will help simplify our tax laws and bring them more in conformity with federal taxable income.

Revision Date: 03/29/99

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Motor Vehicle Registration Tax

ITEM TITLE: Reduce Motor Vehicle Registration Tax

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$95,700	$191,400	$191,400	$191,400
Revenues: ($000s)				
General Fund	$-0-	$8,500	$9,100	$9,700
HUTD	($95,700)	($204,100)	($217,500)	($231,700)

Statutory Change? Yes _X_ No ___

If yes, statutes(s) affected: M.S. 168.017

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction in the motor vehicle registration tax for passenger vehicles effective for renewals after 12-31-99.

RATIONALE:

Currently, the registration tax is based on a combination of value and age. The tax rate is $10 plus 1.25% of the "base" defined as the manufacturers suggested retail price plus destination charge but excluding optional equipment separately stated. This base is then reduced over a 10 year period down to a flat rate of $35. Some of our neighboring states impose rates that are considerably less than Minnesota's tax rate.

This proposal retains the current rate structure based on value and age, the current depreciation schedule and minimum rate of $35 but sets a maximum rate of $75 on every registration year following the initial year. It is estimated that 45% of all passenger vehicles registered in Minnesota will receive a fee reduction.

FINANCING:

Estimated receipts in the Highway User Tax Distribution Fund are reduced by this proposal. However, a General Fund transfer of $95.7 million in F.Y. 2000 and $191.4 million annually thereafter offsets HUTD Fund reduced revenues.

The proposal will also result in a gain in General Fund state income tax revenue due to the reduction in registration fees which are deductible for income tax purposes.

OUTCOMES:

This change will make Minnesota's motor vehicle registration tax more competitive with surrounding states.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales and Special Taxes

ITEM TITLE: Repeal of June Accelerated Tax Payments

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$(155,300)	$(6,600)	$(5,700)	$(5,900)

Statutory Change? Yes _X_ No ____

If yes, statutes(s) affected: M.S. 289A.11, subd.1; 289A.18, subd.4; 289A.20, subd. 4; 289A.60, subd.15

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends repealing the June accelerated tax payments for all tax types effective for payments due June 2000 and years following.

RATIONALE:

The accelerated June payment was adopted by the Legislature in 1982 to realize one-time budget savings during the shortfalls in the 1981-82 recession. The accelerated payment moved a large share of one month's sales and excise tax collections into the previous fiscal year.

The accelerated payment requires large sales taxpayers with annual liabilities of $120,000 or more to pay 75% of their estimated June liability before the end of June and then file a reconciliation payment in August. The normal date for remitting sales tax for large retailers is the 14th day of the following month (when the actual liability is known). This process involves an estimated payment, a reconciliation return all outside the normal time requirements. This adds confusion and complexity to the system for these taxpayers.

FINANCING:

This proposal creates a time shift in revenue collections. The main impact occurs in the initial fiscal year as the accelerated payments normally received in the last month of that year (June) are shifted into the following year. The impact of the revenue shift in the out years was calculated as the difference between the accelerated amounts forecast to be remitted in June under current law and the effect of shifting those amounts to July of the following fiscal year. In effect, the "tails" result from the forecast annual growth in the June payments.

General sales, cigarette and tobacco, and liquor, wine and base taxes are affected by this change.

OUTCOMES:

This proposal will greatly reduce the compliance burden for these taxpayers. This will help simplify our tax laws and make them more consistent by eliminating this once a year exception to the normal file and pay procedures.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales and Special Taxes

ITEM TITLE: Repeal of June Accelerated Tax Payments

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$0	$0	$0	$0
Revenues: ($000s)				
General Fund	$(156,400)	$(5,400)	$(5,000)	$(5,300)
Permanent Tax Cuts				

Statutory change? Yes X No ___

If yes, statutes(s) affected: M.S. 289A.11, subd. 1; 289A.18, subd. 4; 289A.20, subd. 4; 289A.60, subd. 15

New Activity: Yes

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor recommends repealing the June accelerated tax payments for all tax types effective for payments due June 2000 and years following.

RATIONALE:

The accelerated June payment was adopted by the Legislature in 1982 to realize one-time budget savings during the shortfalls in the 1981-1982 recession. The accelerated payment moved a large share of one month's sales and excise tax collections into the previous fiscal year.

The accelerated payment requires large sales taxpayers with annual liabilities of $120,000 or more to pay 75% of their estimated June liability before the end of June and then file a reconciliation payment in August. The normal date for remitting sales tax for large retailers is the 14th day o the following month (when the actual liability is known). This process includes an estimated payment, a reconciliation return all outside the normal time requirements. This adds confusion and complexity to the system for these taxpayers.

FINANCING:

This proposal creates a time shift in revenue collections. The main impact occurs in the initial fiscal year as the accelerated payments normally received in the last month of that year (June) are shifted into the following year. The impact of the revenue shift in the out years was calculated as the difference between the accelerated amounts forecast to be remitted in June under current law and the effect of shifting those amounts to July of the following fiscal year. In effect, the "tails" result from the forecast annual growth in the June payments.

General sales, cigarette and tobacco, and liquor, wine and base taxes are affected by this change.

OUTCOMES:

This proposal will greatly reduce the compliance burden for these taxpayers. This will help simplify our tax laws and make them more consistent by eliminating this once a year exception to the normal file and pay procedures.

Revision Date: 03/29/99

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales Tax System

ITEM TITLE: Sales and Use Tax Exemption for Television Commercials

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$(1,000)	$(1,100)	$(1,100)	$(1,200)

Statutory Change? Yes _X_ No ____

If yes, statutes(s) affected: M.S. 297A.25

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends exempting most inputs into the production of television commercials effective for purchases made on or after 7-1-99.

RATIONALE:

In general, advertising and promotional materials sold on a tangible medium (such as tape, film and printed matter) is subject to Minnesota sales tax. However, in some states these transactions have been treated as sales of services and therefore are not taxable. This gives production companies operating in other states an unfair advantage over companies producing television commercials in this state. This exemption would provide an even playing field.

FINANCING:

This change will decrease sales tax revenues that flow into the General Fund.

OUTCOMES:

This proposal would exempt all companies, including the advertising agency, the film production company, the post production edit house and other vendors from paying tax on their cost of materials and on the sale of their product. This would remove a competitive disadvantage for these companies doing business in Minnesota. This exemption should help bring more commercial production to Minnesota and along with that an increase in the production of all types of film and video properties.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales Tax System

ITEM TITLE: Sales Tax Exemption for State Hospitals and Veterans Homes

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$(600)	$(600)	$(700)	$(700)

Statutory Change? Yes _X_ No ____

If yes, statutes(s) affected: M.S. 297A.25, Subd. 11

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends exempting state hospitals and state veterans homes purchases from the sales tax effective for purchases made on or after 7-1-99.

RATIONALE:

State government has been subject to sales and use tax since 1987. State hospitals and veterans homes which are operated by state agencies have been required to pay tax on most of their purchases. At the same time, the non-profit hospitals and nursing homes are specifically exempt from the tax. This law change would put state hospitals and veterans homes on a level playing field.

FINANCING:

This change will decrease the sales tax receipts that would normally stem from taxing these transactions. The General Fund would be impacted by this change.

OUTCOMES:

This initiative would give tax relief to these institutions by reducing a significant amount of health care-related expenditures. Through this proposed tax relief, these state institutions will have additional funds to improve patient and resident services.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Property Tax Aids and Credits
ITEM TITLE: **TRANSFER FROM CONSERVATION FUND TO GENERAL FUND**

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
Special Revenue Fund				
- MN Conservation Fund (Transfer)	($2,000)	$-0-	$-0-	$-0-
Revenues: ($000s)				
-General Fund	$2,000	$-0-	$-0-	$-0-

Statutory Change? Yes____ No_X_

If yes, statutes(s) affected:

☐ New Activity ☐ Supplemental Funding ☒ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time transfer of $2 million in F.Y. 2000 from the Minnesota Conservation Fund to the General Fund.

RATIONALE:

The Minnesota Conservation Fund receives a portion of mortgage and deed registration fees generated from a surcharge on these taxes by certain metropolitan counties. Money from this fund is appropriated annually to the commissioner of revenue to reimburse taxing jurisdictions participating in the Agricultural Land Preservation Program, as provided in Minnesota Statue 40A.151, 273.119 and 473H.10. Funds available in this account far exceed the amount required to fulfill statutory obligations, resulting in large balances which are carried forward annually.

With the exception of the surcharge described above, mortgage and deed registration taxes are deposited in the General Fund. This initiative moves the excess balance from Conservation Fund to the General Fund, where the resources will be treated as other mortgage and deed registration fees.

FINANCING:

- A one-time transfer of $2 million from the Minnesota Conservation Fund to the General Fund.

OUTCOMES:

- Excess balances in the Minnesota Conservation Fund will be transferred to the General Fund. Resources remaining in the Conservation Fund are adequate to meet the fund's current and anticipated obligations under current law.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Property Tax Aids and Credits

ITEM TITLE: Abatement Aid to Farmers

		2000-01 Biennium		2002-03 Biennium	
	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)					
General Fund					
- Aid to Local Governments	$10,000	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)					
General Fund	$-0-	$-0-	$-0-	$-0-	$-0-

Statutory Change? Yes X No ___

If yes, statutes(s) affected: M.S.

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that abatement aid be appropriated to counties to help them abate all or a portion of farm property tax payments for those in need of financial assistance.

RATIONALE:

Many farmers are experiencing very difficult economic times due to the historically low commodity prices. Minnesota's economy is dependent upon a strong agricultural base and it is in the state's best interest to protect that sector of our state's economy. Farmers have often pointed out that they bear a disproportionate share of their communities education levy and in turn an excessive property tax burden.

Under this proposal, county boards would receive expanded abatement authority to provide tax relief on a case by case basis. The state provides a limited, fixed amount of funding to each county for them to allocate as they choose in granting property tax abatement requests.

FINANCING:

This proposal will require an appropriation from the General Fund in F.Y. 1999.

OUTCOMES:

Abatements of all or a portion of farm property tax payments will help provide assistance to producers genuinely in need. Under this plan, county boards are given expanded abatement authority because they are in the best position to judge hardship on an individual basis. State costs will be controlled and limited while still addressing the most severe needs. By providing abatement aid to counties it holds local government budgets and other property taxpayers harmless.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Sales Tax System

ITEM TITLE: Upfront Exemption for Capital Equipment

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$-0-	$(98,000)	$(37,700)	$(31,700)

Statutory Change? Yes __X__ **No** ____

If yes, statutes(s) affected: M.S.297A.15, subd.5 and 289A.56, subd.4

[X] New Activity   [ ] Supplemental Funding   [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the capital equipment sales tax refund process be replaced by an upfront exemption for purchases made on or after 7-1-2000.

RATIONALE:

Purchases of capital equipment (which includes replacement equipment and repair and replacement parts) are exempt from the sales tax. However, the purchaser must pay sales or use tax on the purchase and then file a claim for refund with the department in order to get a refund of the tax paid. An upfront exemption would eliminate the need to file a refund claim and wait for reimbursement.

FINANCING:

This change will decrease the sales tax receipts that would normally stem from taxing these transactions. The General Fund would be impacted by this change.

OUTCOMES:

This initiative would ease the burden on taxpayers in dealing with the capital equipment exemption. Taxpayers would provide an exemption certificate to their supplier to exempt the item at the time of purchase eliminating the need to file refund claims with the department. An upfront exemption will also increase the use of this tax benefit; because of the simplification of the process it will be used by more individuals and for smaller purchases.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Income Tax System

ITEM TITLE: Farm Assistance

		2000-01 Biennium		2002-03 Biennium	
	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)					
General Fund					
Farm Tax					
Relief Account		$20,000	$20,000	$20,000	$0
Revenues: ($000s)					
General Fund					

Statutory change? Yes X No ___

If yes, statutes(s) affected: Uncodified

New Activity:

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor Recommends that the Commissioner of Finance deposit $60 million into a newly established Farm Tax Relief Account on June 30, 1999. The Governor recommends that this may be used, over the next 3 years, to target tax relief to farmers who are in need of financial assistance.

Specifically, the Governor recommends providing agricultural assistance payments to persons who filed an income tax return, had at least $30,000 of gross income from farming in Minnesota, has a net taxable loss from farming activities, and files an application with the Commissioner of Revenue before September 1 of the year following the respective tax year. The payment will equal ten percent of the difference of $30,000 less the individual's federal adjusted gross income.

RATIONALE:

Many farmers are experiencing very difficult economic times due to historically low commodity prices. Minnesota's economy is dependent upon a strong agricultural base and it is in the state's interest to protect that section of our state's economy.

FINANCING:

The proposal will cost the General Fund (Farm Tax Relief Account) an estimated $60 million in F.Y. 1999. Payments to eligible farmers will be made totally an estimated $20 million per year in F.Y. 2000 through F.Y. 2002.

OUTCOMES:

The state would begin making payments to qualified individuals no later than October 1 of each year following the respective tax year. It is estimated that 10,738 filers would qualify in 1999 and receive an average payment of $1,785. Of the $60 million, $120,000 will be available, per year, to the department to administer the program.

Revision Date: 03/29/99

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Income Tax System

ITEM TITLE: Federal Update to 1998 Federal Changes

		2000-01 Biennium		2002-03 Biennium	
	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)					
General Fund					
- State Operations		$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)					
General Fund	$9,610	$8,370	$5,355	$2,465	$1,420

Statutory Change? Yes _X_ No ____

If yes, statutes(s) affected: M.S. 290

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that Minnesota individual and corporate franchise tax laws be updated to adopt the federal changes to taxable income made in 4 different federal bills enacted in 1998: the IRS Restructuring Act, the Transportation Equity Act, the Omnibus Consolidated and Emergency Apropriations Act, and the Ricky Ray Hemophilia Relief Act.

RATIONALE:

In general, conformity of Minnesota's definition of "taxable income" laws with the federal definition helps facilitate the ease of compliance by taxpayers and administration of state income taxes by the Department of Revenue. Compliance costs and complexities are minimized for the taxpayers and for those who provide information to taxpayers including practitioners and employers.

FINANCING:

This update will increase the income tax receipts deposited in the General Fund.

OUTCOMES:

The 1998 federal changes covered many areas, primarily technical. Updating state tax law to federal law in these areas will provide for uniform treatment of these tax issues. The adoption of the 1998 federal changes for state tax purposes would continue the standard practice of adopting all federal changes to "taxable income".

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Property Tax Aids and Credits

ITEM TITLE: Local Government Aid and Property Tax Reform

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
Base Total Transferred to Transitional Aid Reform Act	$-0-	$-0-	$-0-	$(1,633,063)
Transitional Aid Reform Acct	$-0-	$-0-	$-0-	$1,633,063
FPA Savings from FY 2002	$-0-	$-0-	$-0-	$20,600
Net Change for FY 2003				$20,600
- State	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$-0-	$-0-	$-0-	$-0-

Statutory Change? Yes X No ___

If yes, statutes(s) affected: Affects several statutes.

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the state's current system of providing local government aids and property tax relief be redesigned. As a way to help accomplish this objective, the Governor recommends, that selected General Fund programs be eliminated and the resources be transferred to a newly established Transitional Aid Reform Account effective F.Y. 2003. The transfer will also include the F.Y. 2002 savings resulting from the Governor's recommended delay in the current law increase for Family Preservation Aid (FPA). In this F.Y. 2002-03 biennial budget, the Governor will propose, using these resources to fund a newly-designed system of local government aids and property tax relief. The Governor recommends that the following programs be eliminated and the resources, be transferred to the proposed Transitional Aid Reform Account: Property Tax Refunds and Targeting; City and Township Local Government Aid, Disparity Reduction Aid; Border City Disparity Credit; Attached Machinery; Homestead Agricultural Credit Aid; Local Performance Aid; Taconite Reimbursement; Supplemental Homestead Credit; Aid To Police and Fire; Regional Transit Board Levy Reduction; Enterprise Zone Credit; Criminal Justice Aid; Family Preservation Aid; Education Homestead Credit; Payments to Counties with Indian Casinos; PERA Pension Aid; TIF Deficit Aid; Senior Deferral Reimbursement; Low Income Housing Aid.

RATIONALE:

The Governor believes that the current system of providing property tax relief and aids to local governments is overly complicated, inefficient, and inequitable. The Governor believes the system needs to be: a) simplified and made more understandable to citizens of Minnesota; b) made more equitable among taxpayers and regions of the state; and c) made more accountable by providing clear linkages with program objectives and between taxing and spending authority.

FINANCING:

The proposed change will have no impact on the total amount of state aid and property tax relief currently projected for the F.Y. 2002-03 biennium.

OUTCOMES:

The Governor's intent is to redesign the system, not to reduce the amount of funding currently projected to be used for property tax relief and aids to local governments. It is the Governor's policy objective to incorporate recommendations from his proposed Tax Reform Study Commission into his F.Y. 2002-03 biennial budget. The Governor's budget recommendations will redirect these resources so that they are: a) better targeted to individuals who need property tax relief; b) better used to help redistribute the property tax burden in a more fair and equitable way; and c) better targeted to local governments based on program needs and local revenue capacity.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Corporate Franchise Tax System

ITEM TITLE: Definition of Business Income

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$-0-	$-0-	$-0-	$(1,500)

Statutory Change? Yes __X__ No ____

If yes, statutes(s) affected: M.S. 290.17

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that Minnesota adopt a definition of business income that requires corporations to report income as business income to the extent allowed by the U.S. Constitution. A further recommendation is to not assess additional tax on a previously-filed return if a taxpayer apportioned all income as business income on the return.

RATIONALE:

Hercules Inc. v. Commissioner of Revenue and Firstar Corp. v. Commissioner of Revenue were 2 recent Minnesota Supreme Court decisions involving the test to be used in determining business/non-business income for corporate tax purposes. The effect of these decisions is to tax more income of Minnesota based corporations. Since these decisions were interpreting existing law, they affect tax years as far back as 1987. Many in-state companies, who relied on the department's interpretation, are concerned about the tax impact these cases will have on their business for both past and future years.

FINANCING:

It is estimated that this proposal will have no impact on the General Fund until F.Y. 2003.

OUTCOMES:

These provisions will provide companies doing business in Minnesota with clear guidance of what constitutes business income. The intent of this language is to return the tax laws to the way most taxpayers and the Department of Revenue interpreted them prior to the court decisions. It will also provide relief to those companies who in good faith relied on the department's interpretation of business income but will otherwise suffer significant tax assessments.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Insurance Premiums Tax

ITEM TITLE: Simplification of Insurance Premiums Tax Retaliatory Provisions

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$(35)	$(70)	$(70)	$(70)

Statutory Change? Yes _X_ No ____

If yes, statutes(s) affected: M.S. 60A.19, subd.6

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the retaliatory provisions be amended to delete references to assessments from the retaliatory calculation.

RATIONALE:

Another state may impose taxes, fees, licenses, etc. or set conditions for doing business on Minnesota insurers doing business in that state in excess of those imposed on that state's insurance companies and agents doing business in Minnesota. When that happens, Minnesota will impose that state's costs and conditions precedent to doing business on its insurers and agents doing business in this state. This change will clarify that assessments made by joint underwriters associations are not includable in the retaliatory calculation and also exclude assessments made by guaranty associations or similar organizations from the calcualtion.

FINANCING:

This proposal will reduce the amount of revenue to the General Fund.

OUTCOMES:

This will clarify and simplify the current retalitory calculation. Minnesota companies will not be exposed to retaliation in other states as a result of this change.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Solid Waste Management Tax

ITEM TITLE: Self-Hauler Tax Rate Reduction

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$(200)	$(200)	$(200)	$(200)

Statutory Change? Yes _X_ No ____

If yes, statutes(s) affected: M.S. 297H.05

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the rate charged to self-haulers of mixed municipal solid waste generated by residential generators be reduced to 9.75%.

RATIONALE:

Under current law, a self-hauler hauling residential garbage to a waste mangement facility is charged the same rate as commercial haulers (17%). A "self-hauler" is defined as a person who transports solid waste generated by that person or another person without compensation. This proposes that self-haulers of mixed municipal solid waste generated by residential generators be charged the same rate (9.75%) that is imposed on the sales price of mixed municipal solid waste management services received by a residential generator.

FINANCING:

This proposal will reduce the amount of revenue to the General Fund.

OUTCOMES:

This will reduce the amount of taxes paid by self-haulers of mixed municipal solid waste generated by residential generators.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: MinnesotaCare

ITEM TITLE: Exempt Educational Institutions from Provider Tax

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
Health Care Access	$(10)	$(20)	$(20)	$(20)

Statutory Change? **Yes** __X__ **No** ____

If yes, statutes(s) affected: M.S. 295.50 subd.4

[X] New Activity   [ ] Supplemental Funding   [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the MNCare tax exclude from the tax schools and other educational institutions that are reimbursed for the services provided entirely by government payments or through tuition costs.

RATIONALE:

Currently, schools are required to register for the MnCare tax if they provide patient services. However, most of these services are exempt from the tax since they are paid for by the government. This provision would exempt these institutions from registering for the tax if they are reimbursed solely from government payments or through tuition payments. Schools that receive separate non-government payments for patient services will still be subject to the tax.

FINANCING:

This proposal will reduce revenue to the Health Care Access Fund.

OUTCOMES:

This exemption will help ease the compliance burden on these schools and help simplify the tax structure.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY:	Revenue, Department of (DOR)
PROGRAM:	Minnesota Tax System Management
ACTIVITY:	MinnesotaCare Tax

ITEM TITLE: Exempt Services Provided to Nursing Homes

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- State Operations	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
Health Care Access Fund	$(5)	$(10)	$(10)	$(10)

Statutory Change? Yes _X_ No____

If yes, statutes(s) affected: M.S. 295.53, subd.1

☒ New Activity ☐ Supplemental Funding ☐ Reallocation

GOVERNOR'S RECOMMENDATION:

The governor recommends that services provided to nursing homes be exempted from the tax effective for tax years beginning after 12-31-99.

RATIONALE:

Currently nursing homes are exempt from the tax but services provided to nursing homes are taxable. This change eliminates the tax on dietitians, pharmacists or social workers that contract to provide services to nursing homes. These providers do not normally treat patients but rather establish various procedures for the nursing homes. Many of these services are not considered patient services but it is confusing to the providers. Services given to individual nursing home residents are still subject to the tax.

FINANCING:

This proposal will decrease revenue to the Health Care Access Fund.

OUTCOMES:

Under this proposal providers who only contract to provide services to the nursing homes would be exempt from the tax and would not be required to register to pay the tax. For others this would clarify the statute with regards to nursing homes and ease compliance.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Property Tax Aids and Credits

ITEM TITLE: Family Preservation Aid Delay

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- Family Preservation Aid	$-0-	$(30,000)	$(30,750)	$-0-
- HACA Transfer	$-0-	$10,000	$10,150	$-0-
Total	$-0-	$(20,000)	$(20,600)	$20,600
- State	$-0-	$-0-	$-0-	$-0-
Revenues: ($000s)				
General Fund	$-0-	$-0-	$-0-	$-0-

Statutory Change? Yes X No ___

If yes, statutes(s) affected: M.S. 477A.0122

[X] New Activity [ ] Supplemental Funding [ ] Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends delaying the increase in funding and the transfer of Homestead Agricultural Aid (HACA) to Family Preservation Aid (FPA) from F.Y. 2001 to F.Y. 2003. The Governor will also recommend shifting the proposed $20.6 million in net F.Y. 2002 savings to F.Y. 2003. The Governor recommends that FPA funding currently projected for the F.Y. 2002-03 biennium be preserved and dedicated to his proposed Transitional Aid Reform Account. The Governor is also recommending that the Family Preservation Aid program be included for study, along with other major aid programs, by the proposed Tax Reform Study Commission.

RATIONALE:

The Governor recommends delaying the increase in FPA because he believes that this program, along with other state aid programs, need to be reviewed and a new system of local government aid and property tax relief be implemented which is more equitable, efficient and accountable.

FINANCING:

This funding change will result in a one-time savings to the General Fund of $20 million in F.Y. 2001 with no additional savings accruing in the F.Y. 2002-03 biennium.

OUTCOMES:

The intent of this initiative is not to reduce state funding or property tax relief for needed programs and services benefiting children subject to maltreatment or out of home placement. Rather the intent is to delay any change in fiscal or program comment until this program, along with other aid programs, can be subjected to a comprehensive and systematic review.

F.Y. 2000-01 BUDGET CHANGE ITEM

AGENCY: Revenue, Department of (DOR)
PROGRAM: Minnesota Tax System Management
ACTIVITY: Property Tax Aids and Credits

ITEM TITLE: Family Preservation Aid Delay

	2000-01 Biennium		2002-03 Biennium	
	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Expenditures: ($000s)				
General Fund				
- Family Preservation Aid	$0	$(30,000)	$(750)	$(769)
- HACA Transfer	$0	10,000	147	147
Total	$0	$(20,000)	$(603)	$(622)
-State	$0	$0	$0	$0
Revenues: ($000s)				
General Fund	$0	$0	$0	$0

Statutory change? Yes X No ___

If yes, statutes(s) affected: M.S. 477A.0122

New Activity: Yes

Supplemental Funding:

Reallocation:

GOVERNOR'S RECOMMENDATION:

The Governor recommends delaying the increase in funding and the transfer of Homestead Agricultural Aid (HACA) to Family Preservation Aid (FPA) from F.Y. 2001 to F.Y. 2002.

RATIONALE:

The Governor recommends delaying the increase in FPA because he believes that this program and the formula mechanism for allocating aid to counties needs additional study.

FINANCING:

This funding change will result in a one-time savings to the General Fund of $20 million in F.Y. 2001, and approximately $0.6 million in F.Y. 2002 and F.Y. 2003.

OUTCOMES:

The intent of this initiative is not to reduce state funding or property tax relief for needed programs and services benefiting children subject to maltreatment or out of home placement. Rather the intent is to delay any change in fiscal or program comment until this program, along with other aid programs, can be subjected to a comprehensive and systematic review.

Revision Date: 03/29/99

AGENCY: Revenue, Department of
REVENUE NAME: Individual Income Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 290.03

DESCRIPTION:

The individual income tax is imposed on the taxable income of resident and nonresident individuals, estates, and trusts. The tax base is federal taxable income plus and minus state modifications. The graduated tax rates are 6%, 8%, and 8.5%, with separate rate schedules for married-joint returns, married-separate returns, single persons, and heads of households. There is an alternative minimum tax on tax preference items at a rate of 7% and a lump sum distribution tax, each of which is similar to its federal counterpart.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Individual Income Tax	$5,680,600	$6,018,800	$6,279,700	$6,601,800

AGENCY: Revenue, Department of
REVENUE NAME: Corporate Franchise Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 190.02

DESCRIPTION:

The corporate franchise tax is imposed on the Minnesota taxable net income of corporations. Domestic unitary reporting is used. Income is apportioned to Minnesota using a weighted 3-factor formula of 15% property, 15% payroll, and 70% sales. Under certain conditions, separate accounting or a single sales factor can be used. The rate of tax is 9.8%. There is an alternative minimum tax on tax preference items, similar to its federal counterpart, at a tax rate of 5.8%.

In addition to any regular or alternative minimum tax, a minimum fee is imposed, which is based on the sum of the corporation's Minnesota property, payroll, and sales factors. The flat fee ranges from $100 (for a corporation with factors of $500,000-$999,000) to $5,000 (for a corporation with factors of $20 million or more).

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Corporate Franchise Tax	$660,900	$691,000	$704,400	$761,300

AGENCY: Revenue, Department of
REVENUE NAME: Sales and Use Tax
FUND: General (100)

STATUTORY CITATION: M.S. Sections 297A.02 and 297A.14

DESCRIPTION:

The sales and use tax is imposed upon the retail sales price of tangible personal property and taxable services sold or used in Minnesota. The general rate is 6.5%, with a rate of 9.0% applicable to liquor and beer sales, and a 1% rate applicable to farm machinery and logging equipment.

Major exemptions include food for off-premise consumption clothing, prescribed medicines, gasoline and special fuels subject to the excise tax, most publications issued at intervals of 3 months or less, materials used or consumed in agricultural or industrial production, textbooks, residential heating fuels and water services, and capital equipment.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Sales Tax-General	$3,576,101	$3,745,438	$3,890,800	$4,040,800

AGENCY: Revenue, Department of
REVENUE NAME: Motor Vehicle Sales Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 297B.02

DESCRIPTION:

The tax is imposed on each purchase of a motor vehicle required to be registered in Minnesota. The tax is 6.5% of the purchase price less the value of a trade-in vehicle. For a vehicle transferred for a nominal or no monetary consideration, the purchase price is deemed to be the average value of similar motor vehicles. In lieu of the 6.5% tax, a flat tax of $10 applies to passenger cars 10 years or older, and a flat tax of $90 applies to collector vehicles.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Motor Vehicle Excise Tax	$433,600	$449,400	$458,000	$473,400

AGENCY: Revenue, Department of
REVENUE NAME: Inheritance, Gift, and Estate Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 291.01

DESCRIPTION:

The Minnesota estate tax was enacted in 1979, replacing the inheritance and gift taxes. Under current law, the estate tax is computed from the federal maximum credit for the state death tax. The tax equals the maximum federal credit multiplied by a proportion of the federal gross estate attributed to Minnesota. Estate returns must be filed if the federal gross estate exceeds $650,000.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Inheritance, Gift, and Estate Tax	$50,000	$50,000	$50,000	$50,000

AGENCY: Revenue, Department of
REVENUE NAME: Liquor, Wine, and Beer Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 297C.02

DESCRIPTION:

Under current law the tax on distilled spirits is $5.03 per gallon; beer containing 3.2% or less alcohol, $0.0774 per gallon; and beer containing more than 3.2% alcohol, $0.1484 per gallon. Wines with alcohol contents ranging from 14% or less to more than 24% are taxed at graduated rates ranging from $0.30 to $3.52 per gallon. Sparkling wine is taxes at $1.82 per gallon.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Liquor, Wine and Beer Tax	$57,545	$57,554	$57,230	$57,220

AGENCY: Revenue, Department of
REVENUE NAME: Cigarette and Tobacco Products Tax
FUND: General (100) and MN Future Resources Fund (130)

STATUTORY CITATION: M.S. Sections 297.02, 297.22, and 297.32

DESCRIPTION:

Under current law the tax on cigarettes is 48 cents per pack of 20 cigarettes. The General Fund portion of the cigarette tax includes bond debt service but excludes allotment to the Minnesota Future Resources Fund.

The current tax on other tobacco products is 35% of wholesale prices. All of the tobacco products tax goes to the state General Fund.

The Cigarette and Tobacco Products Tax is paid by distributors or wholesalers of tobacco products.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Cigarette and Tobacco Products Tax	$180,854	$180,033	$179,415	$181,328

AGENCY: Revenue, Department of
REVENUE NAME: Iron Ore and Taconite Occupation Taxes
FUND: General (100)

STATUTORY CITATION: M.S. Section 298.01

DESCRIPTION:

The Occupation Tax is a form of income tax (passed 12 years before Minnesota had an income tax) based upon the value of the ore mined or produced in Minnesota, not upon the income from the sale of the ore. The primary reason for this distinction was that iron ore was generally not sold since most mining companies were owned by one of many vertically integrated steel companies.

Beginning in 1990, the Occupation Tax was modified to be determined under the same rules as the Corporate Franchise Tax, with 2 very notable exceptions: 1) the tax continues to be based upon the value of the ore produced, with limited, specified deductions for expenses; and 2) the tax applies only to the Minnesota mine and processing plant (non-unitary) rather than the total nationwide activities of the owners (unitary). The applicable tax rate is 9.8% beginning in 1990. Firms are also subject to the corporate alternative minimum tax.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Iron Ore and Taconite Occupation Taxes	$2,150	$2,150	$2,150	$2,150

AGENCY: Revenue, Department of
REVENUE NAME: Deed and Mortgage Registration Tax
FUND: General (100)

STATUTORY CITATION: M.S. Sections 287.05 and 287.21

DESCRIPTION:

The deed transfer tax is $1.65 for each $500.00 of consideration in the transfer of real estate by any deed, instrument, or writing. Exemptions include cemetery lots and deed of distributions by personal representatives.

The mortgage registry tax is $0.23 per $100.00 of principal debt which is secured by a mortgage or real property in the state. Organizations exempt from the property tax are exempt from this tax.

The counties collect both taxes and retain 3% of the revenue.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Deed and Mortgage Registration Tax	$126,000	$126,500	$132,800	$139,500

AGENCY: Revenue, Department of
REVENUE NAME: Insurance Premiums Tax
FUND: General (100)

STATUTORY CITATION: M.S. Sections 60A.15, 60A.198, 69.54, and 299F.21

DESCRIPTION:

Tax Base: Gross receipts less return premiums received on all business in Minnesota.

Rates:

2.0% - Domestic and foreign companies' premiums.
1.0% - Mutual companies other than life with assets less than $5 million.
1.26% - Mutual companies other than life with assets at least $5 million but less than $1.6 billion.
3.0% - Surplus line agents.
0.5% - Fire marshall tax on fire premiums.
2.0% - Surcharge on fire premiums for property located in cities of the first class.

Exemptions: Fraternal benefit societies; nonprofit health service plan corporations; health maintenance organizations; Minnesota's comprehensive health association plan premiums; farmers' mutual and township mutual insurance companies (fire marshall tax).

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Insurance Gross Earnings Tax	$173,000	$178,300	$183,600	$189,200

AGENCY: Revenue, Department of
REVENUE NAME: Controlled Substance Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 297D.08

DESCRIPTION:

Tax Base: Marijuana or controlled substance, as defined, that is held, possessed, transported, transferred, sold, or offered to be sold in violation of Minnesota laws.

Rates:

- Marijuana - $3.50 per gram or portion thereof.
- Controlled substances - $200 per gram or portion thereof.
- Controlled substance not sold by weight - $400 on each 10 dosage units, or portion thereof.

Exemptions: Pharmacists or other persons lawfully in possession of marijuana or a controlled substance.

Who Pays: A dealer who in violation of Minnesota law, manufactures, produces, ships, transports, or imports into Minnesota or possesses more than the specified amount of marijuana or a controlled substance.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Controlled Substances Tax	$150	$150	$150	$150

AGENCY: Revenue, Department of
REVENUE NAME: Other Gross EarningsTax
FUND: General (100)

STATUTORY CITATION: M.S. Section 297D.08

DESCRIPTION:

Tax Base: Marijuana or controlled substance, as defined, that is held, possessed, transported, transferred, sold, or offered to be sold in violation of Minnesota laws.

Rates:

- Marijuana - $3.50 per gram or portion thereof.
- Controlled substances - $200 per gram or portion thereof.
- Controlled substance not sold by weight - $400 on each ten dosage units, or portion thereof.

Exemptions: Pharmacists or other persons lawfully in possession of marijuana or a controlled substance.

Who Pays: A dealer who in violation of Minnesota law, manufactures, produces, ships, transports, or imports into Minnesota or possesses more than the specified amount of marijuana or a controlled substance.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Controlled Substances Tax	$45	$45	$45	$45

AGENCY: Revenue, Department of
REVENUE NAME: Lawful Gambling Tax
FUND: General (100)

STATUTORY CITATION: M.S. Section 349.212

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Lawful Gambling Taxes	$62,771	$62,771	$62,928	$62,928

DESCRIPTION:

Under current law, a *Lawful Gambling Tax* on the gross receipts of organizations from bingo, raffles, and paddlewheels less prizes is 9.5%.

Under current law, which took effect October 1989, the *Combined Receipts Tax* is levied on the fiscal year gross receipts of an organization from pull-tabs and tipboards. The tax rates are as follows:

Gross Receipts			Tax Rate
Not Over		$500,000	0%
$500,001	-	700,000	1.9%
700,001	-	900,000	3.8%
900,001		And Over	5.7%

A *Pulltab and Tipboard Tax* is levied upon the ideal gross of each pulltab or tipboard deal sold by the distributor. A "deal" is defined as each separate package, or services of packages, consisting of one game of pull-tabs or tipboards.

A *Pari-mutuel Tax* is levied upon the total amount bet in pari-mutuel horse racing pools at a licensed race track.

AGENCY: Revenue, Department of
REVENUE NAME: Health Care Provider Tax
FUND: General Fund (100)

STATUTORY CITATION: M.S. Section 295.52, Subd. 2

DESCRIPTION:

This tax is assessed on hospitals, nursing homes, health maintenance organizations. Revenues also include intergovernmental transfers for hospitals and nursing homes. It is also known as the Medical Assistance Surcharge.

The surcharge was created in 1991. It raises revenue from a bed tax on Medical Assistance (MA) licensed nursing facilities, a percentage tax on MA revenue paid to hospitals, and MA enrolled prepaid health plans. Additional revenue is generated by intergovernmental transfers that are mandated by law.

There are 2 separate taxes on health providers in Minnesota. The Medical Assistance Surcharge, which is collected by the Department of Human Services based on revenue information reported to the Department of Health. Taxes are collected on different basis for each provider type. For example, the hospital surcharge equals 1.56% of net patient revenues. The better known 2% Provider Tax is a flat tax assessed to all providers. That tax, also known as the MinnesotaCare tax, is deposited in the Health Care Access Fund.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Health Care Provider Tax	$121,908	$122,706	$125,856	$129,165

AGENCY: Revenue, Department of
REVENUE NAME: Income Tax Reciprocity
FUND: General Fund (100)

STATUTORY CITATION: M.S. Section 290.081

DESCRIPTION:

The income tax reciprocity agreement between Minnesota and Wisconsin has been in effect since 1972. Whenever the Wisconsin tax on Minnesota residents, which would have been paid without the reciprocity agreement, exceeds the Minnesota tax on Wisconsin residents, which would have been paid without the agreement, or vice versa, the state with the net revenue loss resulting from the agreement shall receive from the other state the amount of such loss.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Income Tax Reciprocity	$39,537	$40,302	$41,198	$41,198

AGENCY: Revenue, Department of
REVENUE NAME: Motor Vehicle Registration Tax
FUND: Highway User Tax Distribution Fund (280)

STATUTORY CITATION: M.S. Chapter 168

DESCRIPTION:

The Motor Vehicle Registration Tax applies to all vehicles using the public streets and highways of Minnesota and is paid by individuals licensing or annually re-registering a motor vehicle. For passenger cars, pickup trucks and vans, a rate of $10 plus 1.25% of depreciated base value applies. The minimum tax is $35. Tax on buses, tractors and trucks are based on the type, weight and age of the vehicle. A minimum tax applies to each type of vehicle.

Exemption from the tax is extended to a variety of publicly-owned vehicles and agricultural tractors and trailers.

The tax is administered by the Department of Public Safety through its annual licensing activity.

Of the total amounts shown for forecast revenues for F.Y. 2000-03, passenger vehicles account for about 70% of yearly revenues.

NOVEMBER 1998 FORECAST BASIS:

	Actual F.Y. 2000	Forecast F.Y. 2001	Forecast F.Y. 2002	Forecast F.Y. 2003
Motor Vehicle Registration Tax	$556,000	$579,800	$604,500	$630,400

AID/CREDIT: Property Tax Refund (PTR)
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 290A; Laws 1998, Reg. Sess., Ch. 389, Art. 2, Sec. 18-19

PURPOSE:

To provide general property tax relief to homeowners and renters based on an income definition of ability to pay

DESCRIPTION:

The property tax refund program is designed to "target" state paid financial assistance to households which have relatively high property taxes and low income. In addition to the regular refunds provided to homeowners and renters the legislature will periodically provide additional "targeting" refunds to specified property owners who may be uniquely impacted by high property taxes due to certain economic conditions or other related state property tax policies.

TRENDS:

	FY 1996	FY 1997 ($000'S)	FY 1998
PTR			
Homeowners	$78,335	$79,705	$ 84,047
Renters	$89,111	$88,929	85,856
Targeting	4,911	4,689	3,775
Total	$172,357	$173,323	$173,678

Policy Issues: The property tax refund for homeowners is currently underutilized. This type of program is far more efficient than other state aid policies in "targeting" property tax relief to households who need it. The targeting refund is an important property tax relief mechanism especially during periods when other major state property tax law changes are being implemented.

Explanation of Estimate: The Department of Revenue estimates PTR costs by modeling growth in state personal income, change in the number of applicants, changes in property taxes on homesteads, growth in rent paid by rental households, and changes to the property tax refund schedule, including indexing income brackets and maximum refund amounts for annual inflation.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Property Tax Refunds:					
Homeowners	$80,782	$77,081	$75,654	$79,632	$86,969
Renters	100,830	113,127	117,315	121,762	128,999
Targeting	1,351	1,927	1,800	4,000	4,000
Total	$182,963	$192,135	$194,769	$205,394	$219,968

AID/CREDIT: Education Homestead Credit
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.1382; Laws 1998, Reg. Sess., Ch. 389, Art. 2, Sec. 13, 14

PURPOSE:

Provides school levy property tax relief to homeowners to offset the tax shift caused by reduction in commercial/industrial class rates.

DESCRIPTION:

The education homestead credit was established beginning in pay 1998 to reduce the property tax burden of homestead owners. The credit in pay 1998 is equal to 32% of the general education tax up to a $225 maximum. For pay 1999, the credit will increase to 66.2% of the general education tax up to $320. The credit will change in pay 2000 and following years to 64.1% of general education tax up to $335. The credit offsets the initial tax shift caused by reduction of commercial/industrial class rates.

TRENDS:

The credit began in F.Y. 1999.

Policy Issues: The credit protects homesteads from initial tax shifts due to changes in the property classification system, and does not subsidize programs and service costs determined locally. However, the credit could be used in the future as a homestead property tax relief mechanism, responding to local non-school spending levels or future tax shifts caused by changes in market value growth rates.

Explanation of Estimate: The Department of Revenue estimates education homestead costs for real property using a file of all homestead parcels in the state, together with its property tax computer simulation model for all property types. Allowance is made in the estimate for growth of homestead market value and number of homesteads. The manufactured home portion of the education credit is estimated using abstract of tax lists data.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Education Homestead Credit:					
Real Property	$144,244	$283,147	$316,060	$325,360	$332,026
Manufactured Homes	569	1,073	1,195	1,203	1,203
Total	$144,812	$284,220	$317,255	$326,563	$333,229

AID/CREDIT: Disparity Reduction Credit ("Border City Disparity Aid")
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.1398, Subd. 4; Laws 1998, Reg. Sess., Ch. 389, Art. 2, Sec. 17

PURPOSE:

To provide a property tax credit for apartment and commercial/industrial property in the border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead.

DESCRIPTION:

First paid for taxes payable year 1989, the credit reduces property tax burden for commercial/industrial, public utility and apartment property to 2.3% of taxable market value. The credit declined from $5.4 million in F.Y. 1998 to $4.3 million in F.Y. 1999 because legislation reduced the class rates of eligible property and increased aids.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$5,102	$5,238	$5,452

Policy Issues: This credit is targeted to reduce the business property tax in cities near the North Dakota border because of the lower business property tax in that state. If business property class rates are further reduced in Minnesota to be more competitive with North Dakota, this credit could be phased out.

Explanation of Estimate: The Department of Revenue estimates the cost of disparity reduction credit by modeling the interaction of gross and net taxes, inflation in market values, changes in local tax rates, and other adjustments at the unique taxing jurisdiction level. A 1998 law change reduced the effective tax rate for class 3a property from 3.3% to 2.3% thus increasing the credit effective for F.Y. 2000.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Disparity Reduction Credit	$4,268	$4,875	$4,899	$4,946	$4,995

AID/CREDIT: Enterprise Zone Credit
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 469.171, Subd. 7a; Laws 1998, Reg. Sess., Ch. 389, Art. 12, Sec. 10, Subd. 3

PURPOSE:

To provide a property tax credit for businesses in designated enterprise zones to encourage business development and retention in distressed areas.

DESCRIPTION:

Businessses in enterprise zones receive state-paid property tax credits at the option of the business and municipal government. The credit reduces the property tax bill of the business, and the state reimbuses the local governments affected. Currently, the credit is provided only in the City of Breckinridge.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$14	$17	$19

Explanation of Estimate: The credit is assumed to remain constant at the F.Y. 1999 level. Although a $500,000 additional allocation for enterprise zones was passed in 1998, use of it for property tax reduction is uncertain.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Enterprise Zone Credit	$19	$19	$19	$19	$19

AID/CREDIT: Disaster Credit
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.123, Subd. 1-6

PURPOSE:

To provide a property tax credit for homestead property damaged by a disaster.

DESCRIPTION:

The disaster credit reduces the property tax of homestead property in the following payable year after damage suffered within a declared disaster or emergency area. The property is reassessed after the damage, and the difference between the original and reassessed value is multiplied by the ratio of the number of full months remaining in the year divided by 12 months. This product is then multiplied by the prevailing local tax rate to obtain the credit amount. The state reimburses local governments for the credit. The credit program first became effective in pay 1984.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$0	$0	$33

Explanation of Estimate: The F.Y. 2000 estimate reflects the tornadoes and storms of March 29, May 15, and May 30, 1998. Data on storm damage from the Department of Public Safety were used to estimate market value reductions, and projected tax rates from the Department of Revenue's property tax model were used to calculate the estimated credit.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Disaster Credit	$988	$810	$34	$0	$0

AID/CREDIT: Supplementary Property Tax Relief and Taconite Aid Reimbursement

REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.1391; Laws 1998, Reg. Sess., Ch. 389, Art. 10, Sec. 3; M.S. 477A.15

PURPOSE:

To provide property tax relief similar to the taconite homestead credit for school districts that do not meet the eligibility requirements as a taconite tax relief area but are located in a county where taconite is mined or quarried (supplementary relief), or school districts that received occupation tax proceeds prior to a law change in 1978 (taconite aid reimbursement).

DESCRIPTION:

Supplementary property tax relief ("supplemental taconite homestead credit") is provided to school district #317 in Itasca County and to school district #698 in Aitkin and St. Louis counties. The credit has the same formula as the "57%" taconite homestead credit program, but is paid from the state General Fund. The qualifying homestead tax is first reduced by the education homestead credit before computing this credit.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$1,028	$1,034	$1,043

Explanation of Estimate: The supplementary homestead tax relief (or supplemental taconite homestead credit) was changed in the 1998 session to remove a maximum credit provision, increasing the F.Y. 2000 expenditure. Taconite aid reimbursement is a constant amount each year. The credit and reimbursement is assumed to remain level from F.Y. 2000 to F.Y. 2003.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Supplemental Relief	$517	$544	$544	$544	$544
Taconite Reimbursement	561	561	561	561	561
Total	$1,078	$1,105	$1,105	$1,105	$1,105

AID/CREDIT: Homestead and Agricultural Credit Aid (HACA)
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.1398; Laws 1998, Reg. Sess., Ch. 389, Art. 2, Sec. 15

PURPOSE:

To provide general property tax relief aid to local governments to compensate for a reduction in taxable value class rates on homesteads, rental, commercial/ industrial, and other properties.

DESCRIPTION:

The homestead and agricultural credit aid (HACA) was adopted in 1988 with the first effective year being for taxes payable in 1990. In general, the intent of HACA was to replace the homestead and agricultural credit property tax relief system with a general aid that compensates local governments for the loss in tax capacity resulting from lower class rates on selected property types. Originally, the aid was determined by a formula that computed the difference between "gross tax capacity" and "net tax capacity." In 1991 and subsequent years the allocation of aid amounts to local governments was frozen, but increased annually by various adjustments. Under current law, reductions in class rates may result in increased HACA if specified in law, though this adjustment is not automatic. The final aid amounts distributed to local governments are also subject to program offsets for state takeover of income maintenance and court costs.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$591,937	$551,547	$536,155

Policy Issues: HACA is a general aid that is not well targeted to "needy" communities nor targeted to individuals with little ability to pay. In general, this aid mechanism has made local governments overly dependent on state revenue and is very inefficient in targeting property tax relief to needy individuals.

Explanation of Estimate: The Department of Revenue estimates the cost of HACA by modeling annual increases related to class rate reductions, inflation and other adjustments at the unique taxing jurisdiction level. HACA is declining because of an annual additional transfer of school HACA to special education aid programs.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Homestead and Agricultural Credit Aid (HACA)	$506,717	$487,132	$477,474	$468,350	$465,642

AID/CREDIT: Local Government Aid (LGA)
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 477A.013 - .015; Laws 1998, Reg. Sess., Ch. 389, Art. 4, Sec. 8, 9, 12, 13

PURPOSE:

To provide general support aid and property tax relief to local governments.

DESCRIPTION:

The formula for cities has changed many times since enacted in 1971. In general, the formula attempts to target aid to those cities with the lowest tax capacity and high need, but provides for a substantial "grandfathered" amount. Under current law for taxes payable in 1999 and subsequent years the formula is:

- Need increase percentage * (city revenue need times 1997 population) minus (city net tax capacity times tax effort rate).
- Total city LGA is increased annually for inflation.
- Township aid is grandfathered from the 1993 level, with annual increases for inflation.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$339,322	$349,268	$362,180

Policy Issues: The primary policy issues are determining the appropriate level of "general support" aid to local governments and how to best "target" that aid to communities with higher need and low wealth.

Explanation of Estimate: Dollar amounts are appropriated by law.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Local Government Aid (LGA)	$377,396	$386,549	$390,787	$400,189	$409,798

AID/CREDIT: Manufactured Home Homestead and Agricultural Credit Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.166

PURPOSE:

To provide general property tax relief aid to local governments to compensate for a reduction in taxable value class rates affecting manufactured homes.

DESCRIPTION:

The homestead and agricultural credit aid (HACA) for manufactured homes was adopted in 1988 with the first effective year being for taxes payable in 1990. Originally, the aid was determined by a formula that computed the difference between "gross tax capacity" and "net tax capacity." In 1991 and subsequent years the allocation of aid was frozen, but increased annually by various adjustments. Unlike HACA for real property, the formula for manufactured home HACA specifies that any class rate change requires a "net tax capacity adjustment" and thus provides for an "automatic" response to class rate changes.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$6,444	$6,647	$6,611

Explanation of Estimate: The F.Y. 2000 estimate assumed the same additional adjustment for class rate changes as the F.Y. 1999 amount. Household growth adjustments to county manufactured home HACA for F.Y. 2000-F.Y. 2003 were assumed to be at the same level as in F.Y. 1999.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Manufactured Home Homestead and Agricultural Credit Aid	$7,075	$7,554	$7,612	$7,647	$7,689

AID/CREDIT: Police and Fire State Aids
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 69.011; 69.021; 69.54-69.56; 69.021, Subd. 11e; 423A.02, Subd. 1-1b

PURPOSE:

To support retirement pensions of local peace officers and firefighters.

DESCRIPTION:

Police State Aid (M.S. 69.011, 69.021) The initial revenue source for this aid is derived mainly from auto insurance premium tax, but the available aid is limited to the employers' actual pension obligation each year. Because the revenue usually exceeds the employers' obligations, an "excess police state-aid holding account" is used to allocate the excess revenue to an ambulance service account or to additional amortization aid.

Fire State Aid (M.S. 69.011, 69.021) The initial revenue source for this aid is derived mainly from fire insurance premium tax ("fire, lightning, sprinkler leakage and extended coverage premiums"). An additional amount of fire aid also is allocated from the annual appropriation for amortization aid.

Insurance Surcharge Aid (M.S. 69.54-69.56) This is a state aid to firefighters' relief associations in cities of the first class. The funding is a 2 percent surcharge on insurance premiums on fire, lightning and sprinkler leakage in first class cities.

Amortization State Aid (423A.02, Subd. 1) An annual appropriation of $4,925,000 was provided in 1997 to fund this aid to police or salaried firefighters' pension associations that have an unfunded actuarial accrued liability. Certain reductions to the aid to the Minneapolis association are made annually, depending in part on investment returns.

Supplementary Amortization State Aid and Additional Amortization State Aid (M.S. 423A.02, Subd. 1a and 11e) The supplementary aid of $1 million per year is an additional payment to police and fire associations with unfunded liabilities. The additional amortization state aid is allocated from the excess police aid account, and also is paid to police aid associations with unfunded liabilities.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Police State Aid	$39,961	$41,342	$44,283	$47,412	$50,741
Fire State Aid	16,132	15,844	16,573	17,335	18,132
Insurance Surcharge	1,000	1,000	1,000	1,000	1,000
Amortization Aid	4,970	4,925	4,925	4,925	4,925
Supp. Amortiz. Aid	4,243	1,000	1,000	1,000	1,000
Firefighters' Reimb.	366	370	378	380	374
Additional Amortiz.	3,434	2,261	942	2,240	1,011
Total	$63,863	$66,742	$69,101	$74,292	$77,183

Firefighters' Relief Reimbursement (424A.10) Also known as "supplemental benefit reimbursement." This is an aid for volunteer firefighter associations to fund a 10 % benefit when volunteer firefighters receive a lump pension distribution.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$57,184	$59,524	$62,480

Explanation of Estimate: For police state aid, the 1997-1998 annual rate of growth of insurance tax (3.8%) is assumed to continue to 2002. The PERA obligation of employers is assumed to grow at 6.4% using "assumption C" with an average member age of 38.3 years. Fire state aid revenue is assumed to grow at the 1997-98 annual rate of 4.6% from 1999 to 2002.

AID/CREDIT: Family Preservation Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 477A.0122; 477A.03; Laws 1998, Reg. Sess., Ch. 389, Art. 2, Sec. 16, 20 and Art. 4, Sec. 8c

PURPOSE:

To provide a state aid to counties to reduce the rate of increase in the costs of out-of-home placement of children and the related property tax increase.

DESCRIPTION:

This aid was allocated to counties in F.Y. 1996 based on a county's share of out-of-home placement of children, and a county's share of income maintenance caseload. Thereafter, the aid was increased annually based on a county's share of the statewide income maintenance caseload. For F.Y. 2001, the aid was increased by $30 million, including a $20 million increase plus a $10 million transfer from HACA. The total appropriation is adjusted annually for inflation.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$1,500	$1,547	$1,598

Policy Issues: The 1998 legislative session mandated a study of family preservation aid, requiring recommendations for a new formula and study of proposals for reducing reporting mandates on out-of-home placement caseloads. The study is due 2-1-99.

Explanation of Estimate: The forecast of this aid is based on appropriations and an estimate of the implicit price deflator for state and local government purchases of goods and services provided by Data Resources, Inc.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Family Preservation Aid	$1,638	$1,679	$31,721	$32,514	$33,327

AID/CREDIT: Local Performance Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 477A.05; 477A.03, Subd. 3

PURPOSE:

To provide a state aid to facilitate development among counties and cities of a local system of performance measures for public services.

DESCRIPTION:

Established beginning in F.Y. 1998, this is a per capita aid for counties and cities to reward jurisdictions that adopt systems of performance measures. To qualify, a county or city must affirm that property taxes will be reduced by an amount at least equal to the amount of LPA received, and that the aid will be spent on programs for which it has developed a system of performance measures. Originally funded in part by $1 per capita transfer from HACA, the aid has been increased by additional appropriations, and is adjusted annually for inflation.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$0	$0	$9,293

Explanation of Estimate: The forecast of this aid is based on appropriations and an estimate of the implicit price deflator for state and local government purchases of goods and services provided by Data Resources, Inc.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Local Performance Aid	$10,525	$9,768	$10,012	$10,263	$10,519

AID/CREDIT: County Criminal Justice Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 477A.0121; 477A.03

PURPOSE:

To provide a state aid to counties to reduce the reliance of criminal justice and corrections programs on local property taxes.

DESCRIPTION:

County criminal justice aid is distributed to each county based on population and number of "Part I" crimes reported by the commissioner of public safety. Each year, 1.5% of the total appropriation is reserved for state payments for public defender costs. The aid program began in F.Y. 1994. Transfers from HACA of $10 million for FY 1997 and $6.8 million for F.Y. 1998 have increased the level significantly. The aid is adjusted for inflation annually.

TRENDS:

Net County Criminal Justice Aid:

FY 1996	FY 1997 ($ 000's)	FY 1998
$9,798	$20,010	$27,488

Explanation of Estimate: The forecast of this aid is based on appropriations and an estimate of the implicit price deflator for state and local government purchases of goods and services provided by Data Resources, Inc.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Net Aid	$28,025	$28,650	$29,364	$30,095	$30,844
Public Defense Transfer	$424	$435	$445	$457	$468

AID/CREDIT: Attached Machinery Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.138

PURPOSE:

To compensate counties and school districts for lost revenue because of the removal of attached machinery from the tax base in 1973. The tax base previously included commercial/industrial machinery as taxable property.

DESCRIPTION:

The aid is a fixed amount, paid to counties beginning in 1984, based on the 1972 assessed value of attached machinery times the counties' total mill rate for 1983 times 1.25. The aid to schools is based on the 1972 assessed value times the 1973 mill rate for certain school levies, and the aid is subtracted from school levy limits. The aid is targeted to counties (except Hennepin, Ramsey and St. Louis) with an unusually high level of exempted machinery value in 1972, and the aid amount is fixed.

TRENDS:

The aid is a fixed amount each year.

Policy Issues: The aid is based on attached machinery 1972 assessed values. Only 13 counties qualify for the aid. The limited eligibility and dated basis suggests that a new look at the purpose of the aid is needed.

Explanation of Estimate: The aid is a fixed amount each year.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Counties	$2,382	$2,382	$2,382	$2,382	$2,382
Schools	836	836	836	836	836
Total	$3,218	$3,218	$3,218	$3,218	$3,218

AID/CREDIT: Indian Casino Aid (Payments to counties under tax refund agreements with Indians)

REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 270.60, Subd. 4; Laws 1998, Ch. 389, Art. 16, Subd. 11

PURPOSE:

To provide a state aid to counties where the county has an Indian reservation located in the county, the tribe operates a casino, and state taxes are collected under a tax agreement with the tribe.

DESCRIPTION:

This aid provides state tax relief to counties containing an Indian reservation where the tribe operates a casino and has an agreement with the state to collect taxes. If the total payment exceeds $1.1 million, reductions will be made first to counties that do not have a per capita income less than 80% of the state level or have 30% or more of total market value of real property that is tax exempt. The aid is equal to 10% of the state share of taxes collected from the Indian reservation under a tax agreement, up to a maximum of $1.1 million per year. A total of 10 counties were paid for F.Y. 1999.

TRENDS:

The aid payments began in F.Y. 1999.

Explanation of Estimate: The F.Y. 1999 amounts are actual aid payments. It was assumed that the same set of 10 counties will continue to be eligible in future years, and that tax agreements will generate revenue for the state at the same level.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Indian Casino Aid	$798	$798	$798	$798	$798

AID/CREDIT: Public Employees Retirement Association Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 273.1385

PURPOSE:

To provide a state aid to cities, counties, towns and other non-school jurisdictions to offset an employer contribution rate increase for the Public Employees Retirement Association (PERA).

DESCRIPTION:

The aid for eligible jurisdictions is equal to 0.35% of the F.Y. 1997 payroll for employees who were members of the general plan of PERA. The first aid payment was in December 1998, and represented one-half of the annual aid for F.Y. 1999 and following years. The aid for F.Y. 2000 and following years for any jurisdiction cannot exceed the aid paid for F.Y. 1999, but can be reduced if the PERA payroll of an employer is reduced below the F.Y. 1997 level. The aid terminates on 6-30-2020.

TRENDS:

FY 1996	FY 1997 ($ 000's)	FY 1998
$0	$0	$7,475

Explanation of Estimate: The forecast of this aid is based on appropriations. The aid level is held constant from F.Y. 1999 to F.Y. 2003, assuming that the PERA payroll of employers will remain above the F.Y. 1997 level.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Public Employes Retirement Assocation Aid	$14,950	$14,950	$14,950	$14,950	$14,950

AID/CREDIT: TIF Deficit Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: Laws 1997, Reg. Sess., Ch. 231, Art. 1, Sec. 19

PURPOSE:

To provide a state aid to municipalities for deficits in tax increment financing districts (TIF) caused by reductions in business property class rates for taxes payable in 1998.

DESCRIPTION:

A total of $2 million was appropriated in the 1997 legislative session to fund grants to tax increment financing districts for deficits caused by reductions in business property class rates for taxes payable 1998. The appropriation is available for F.Y. 2000 and F.Y. 2001.

TRENDS:

The aid begins in F.Y. 2000.

Explanation of Estimate: It was assumed that the $2 million will be spent one-half in each fiscal year.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
TIF Deficit Aid	$0	$1,000	$1,000	$0	$0

AID/CREDIT: Senior Deferral Reimbursement
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: M.S. 290B.09

PURPOSE:

To provide a state reimbursement to counties for property tax deferrals granted to qualified homeowners age 65 or older.

DESCRIPTION:

Passed in 1997 and effective for taxes payable in 1999 and following years, this reimbursement to counties begins in F.Y. 2000. The reimbursement equals the property taxes deferred each year, less property tax refunds and revenue recapture.

TRENDS:

The aid begins in F.Y. 2000.

Explanation of Estimate: The senior deferral program had about 10 applicants in 1998, and the first payment will be made in F.Y. 2000. For 1999 (payment in F.Y. 2001), because the deferral will be announced on the PTR form, it was assumed that participation will increase to about 100 applicants.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Senior Deferral Reimbursement	$0	$2	$20	$20	$20

AID/CREDIT: Low Income Housing Aid
REVENUE SOURCE: State General Fund

LEGISLATIVE CITATION: Laws 1998, Reg. Sess., Ch. 389, Art. 4, Sec. 10, 11

PURPOSE:

To provide state aid to cities that sustain a loss of tax capacity of 2 1/2% or more from conversion of apartments to the new class 4d, or cities that have new construction of apartment classified as 4d after 1-1-99.

DESCRIPTION:

The existing housing aid, for cities that sustain more than a 2 1/2% reduction in net tax capacity as a result of conversion of existing apartments to the new class 4d, is equal to the loss of tax base times the city government's average tax rate for taxes payable in 1998. The new construction aid is equal to 1.5 times the tax capacity of qualified new construction of class 4d rental property times the city government's average tax rate for the previous year. The existing aid will be paid in F.Y. 1999 to F.Y. 2002, and the new construction aid will be paid beginning in F.Y. 2002.

TRENDS:

The aid begins in F.Y. 2000.

Explanation of Estimate: The existing low income housing aid was estimated with preliminary data from the Minnesota Housing Finance Agency.

CURRENT LAW
($ 000's)

	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Existing Housing Aid	$17	$200	$200	$200	$0
New Housing Aid	0	0	0	4	8
Total	$17	$200	$200	$204	$8

January 1999 Governor's Recommendation
Price of Government
State & Local Revenues, C.Y. 1990-2002
as a Percent of Personal Income
($ in Thousands)

	C.Y. 1990 F.Y. 1991	C.Y. 1991 F.Y. 1992	C.Y. 1992 F.Y. 1993	C.Y. 1993 F.Y. 1994	C.Y. 1994 F.Y. 1995	C.Y. 1995 F.Y. 1996	C.Y. 1996 F.Y. 1997	C.Y. 1997 F.Y. 1998	C.Y. 1998 F.Y. 1999	C.Y. 1999 F.Y. 2000	C.Y. 2000 F.Y. 2001	C.Y. 2001 F.Y. 2002	C.Y. 2002 F.Y. 2003
State Revenues													
Tax Revenues:													
Individual Income Tax	2,972,983	3,144,636	3,471,374	3,539,994	3,753,268	4,135,332	4,768,390	4,746,569	4,997,670	5,190,885	5,676,800	5,920,000	6,225,175
General Sales Tax	1,965,209	2,193,451	2,378,482	2,522,271	2,722,596	2,901,268	3,012,746	3,251,685	2,326,320	3,435,001	3,639,138	3,845,600	4,001,300
Corporate Income Tax	457,934	420,278	509,534	551,822	665,757	701,735	680,898	752,061	715,440	666,685	695,455	707,265	762,045
Gasoline & Special Fuels Taxes	430,213	437,817	441,619	457,614	468,738	495,458	516,664	529,211	541,916	547,715	557,661	567,404	577,384
Motor Vehicle License Tax	351,664	370,650	404,655	425,036	452,317	475,669	511,113	539,865	559,886	488,848	405,508	417,396	429,767
Motor Vehicle Sales Tax	236,720	270,356	296,284	332,994	347,523	381,219	401,751	444,976	435,000	433,600	449,400	458,000	473,400
Health Care Taxes	0	0	13,566	64,532	145,978	171,597	186,035	155,370	162,433	168,074	208,502	218,064	237,134
All Other Taxes	549,253	585,022	662,167	759,729	754,684	812,280	832,986	892,195	877,154	875,006	897,430	912,203	929,742
Subtotal - State Taxes	6,963,976	7,422,210	8,177,681	8,653,992	9,310,861	10,074,558	10,910,583	11,311,932	10,615,819	11,805,814	12,529,894	13,045,932	13,635,947
Non-Tax Revenues:													
Fees & Charges	249,168	338,879	326,518	366,305	358,331	390,518	428,839	451,386	458,785	457,781	476,090	473,019	472,316
Investment Earnings	172,861	109,360	77,989	79,419	120,028	149,943	194,937	254,721	256,762	172,090	151,743	150,431	146,009
Post-Secondary Tuition	354,404	379,134	409,787	415,135	417,787	415,775	447,607	463,147	465,881	468,516	475,783	482,009	487,370
Tobacco Settlements	0	0	0	0	0	0	0	297	460,800	360,693	373,825	413,223	292,223
All Other Resources	570,118	560,559	571,254	650,922	613,591	726,449	768,817	893,216	801,356	761,588	747,235	755,709	747,164
Subtotal - State Non Tax Revenues	1,346,551	1,387,932	1,385,548	1,511,781	1,509,737	1,682,685	1,840,200	2,062,767	2,443,584	2,220,668	2,224,676	2,274,391	2,145,082
Subtotal - State Own Source Revenues	8,310,527	8,810,142	9,563,229	10,165,773	10,820,598	11,757,243	12,750,783	13,374,699	13,059,403	14,026,482	14,754,570	15,320,323	15,781,029
Federal Grants	2,260,587	2,530,697	2,778,303	3,133,023	3,212,969	3,292,314	3,479,377	3,684,064	4,112,612	4,241,070	4,312,168	4,415,241	4,533,187
TOTAL STATE REVENUES	**10,571,114**	**11,340,839**	**12,341,532**	**13,298,796**	**14,033,567**	**15,049,557**	**16,230,160**	**17,058,763**	**17,172,015**	**18,267,552**	**19,066,738**	**19,735,564**	**20,314,216**
Local Non-School Revenues													
Tax Revenues:													
Property Tax	1,781,901	1,979,384	2,090,992	2,165,434	2,218,545	2,328,364	2,449,028	2,561,031	2,674,205	2,771,159	2,911,234	3,061,064	3,213,409
Sales Tax	49,852	52,750	60,272	64,023	74,381	78,433	82,080	86,825	92,382	97,287	102,038	106,732	111,641
Other Taxes	82,961	92,774	99,262	103,591	102,707	104,375	114,318	121,338	127,716	133,013	138,557	144,360	150,433
Subtotal - Local Taxes	1,914,714	2,124,908	2,250,526	2,333,048	2,395,633	2,511,172	2,645,426	2,769,194	2,894,303	3,001,459	3,151,829	3,312,156	3,475,483
Non-Tax Revenues:													
Special Assessments	203,949	207,957	239,171	241,280	227,548	222,077	236,857	235,772	234,904	234,267	245,299	257,443	269,854
Licenses and Permits	58,168	62,802	68,530	72,874	78,211	86,705	97,800	107,878	118,995	131,260	137,416	144,193	151,119
Charges for Services	388,710	414,902	438,234	482,785	479,682	483,770	529,258	545,846	563,022	580,810	606,031	633,815	662,061
Investment Earnings	326,643	291,536	260,507	253,102	260,010	313,453	306,628	313,558	317,916	324,592	332,220	340,826	349,209
Selected Enterprise Revenues	1,238,569	1,418,282	1,527,277	1,627,881	1,750,121	1,834,630	1,899,526	2,004,851	2,118,586	2,241,425	2,343,378	2,455,632	2,570,112
Miscellaneous Revenues	254,965	262,455	273,537	287,094	324,313	352,768	385,130	426,163	472,281	524,140	547,624	573,485	599,832
Subtotal - Local Non Tax Revenues	2,471,004	2,657,934	2,807,256	2,965,016	3,119,885	3,293,403	3,455,199	3,634,068	3,825,704	4,036,494	4,211,968	4,405,394	4,602,187
Subtotal - Local Own Source Revenues	4,385,718	4,782,842	5,057,782	5,298,064	5,515,518	5,804,575	6,100,625	6,403,262	6,720,007	7,037,953	7,363,797	7,717,550	8,077,670
Intergovernmental Revenue:													
State Aid	1,702,770	1,650,831	1,676,587	1,753,224	1,762,645	1,777,730	1,866,856	1,936,647	2,029,345	2,013,075	2,041,847	2,061,847	2,061,847
Local Aid	66,439	72,799	72,554	66,338	72,498	68,512	71,143	71,143	71,143	71,143	71,143	71,143	71,143
Federal Aid	542,064	470,091	441,744	530,827	509,880	504,965	529,905	528,493	528,493	528,493	528,493	528,493	528,493
Subtotal - Intergovernmental Revenue	2,311,273	2,193,721	2,190,885	2,350,389	2,345,023	2,351,207	2,467,904	2,536,283	2,628,981	2,612,711	2,641,483	2,661,483	2,661,483
TOTAL LOCAL NON-SCHOOL REVENUES	**6,696,991**	**6,976,563**	**7,248,667**	**7,648,453**	**7,860,541**	**8,155,782**	**8,568,529**	**8,939,545**	**9,348,988**	**9,650,664**	**10,005,280**	**10,379,033**	**10,739,153**

January 1999 Governor's Recommendation
Price of Government
State & Local Revenues, C.Y. 1990-2002
as a Percent of Personal Income
($ in Thousands)

	C.Y. 1990	C.Y. 1991	C.Y. 1992	C.Y. 1993	C.Y. 1994	C.Y. 1995	C.Y. 1996	C.Y. 1997	C.Y. 1998	C.Y. 1999	C.Y. 2000	C.Y. 2001	C.Y. 2002
	F.Y. 1991	**F.Y. 1992**	**F.Y. 1993**	**F.Y. 1994**	**F.Y. 1995**	**F.Y. 1996**	**F.Y. 1997**	**F.Y. 1998**	**F.Y. 1999**	**F.Y. 2000**	**F.Y. 2001**	**F.Y. 2002**	**F.Y. 2003**
School District Revenues													
Tax Revenues:													
Property Tax	1,358,929	1,516,895	1,614,796	1,783,311	1,877,076	1,963,009	2,082,650	2,157,263	1,963,799	1,832,267	1,875,309	1,941,077	1,992,009
Taconite Production Tax	23,289	25,344	25,421	25,536	26,001	26,028	26,786	27,658	27,658	24,958	24,958	24,958	24,958
Subtotal - School District Tax Revenues	1,382,218	1,542,239	1,640,217	1,808,847	1,903,077	1,989,037	2,109,436	2,184,921	1,991,457	1,857,225	1,900,267	1,966,035	2,016,967
Non-Tax Revenues:													
Sales & Fee Revenue	111,848	110,624	118,700	122,046	127,635	135,713	146,763	154,394	162,423	170,869	179,754	188,742	198,179
Other Miscellaneous Revenue	181,697	206,996	249,532	276,801	303,902	332,488	331,020	367,763	408,585	453,938	504,325	560,305	622,499
Subtotal - School District Non Tax Revenues	293,545	317,620	368,232	398,847	431,537	468,201	477,783	522,157	571,008	624,807	684,079	749,047	820,678
Subtotal - School Dist Own Source Revenues	1,675,763	1,859,859	2,008,449	2,207,694	2,334,614	2,457,238	2,587,219	2,707,078	2,562,465	2,482,032	2,584,346	2,715,082	2,837,645
Intergovernmental Revenue:													
State Aid	2,243,533	2,313,643	2,373,532	2,470,649	2,837,324	2,956,485	3,008,251	3,261,251	3,573,297	3,839,481	3,969,058	3,970,145	3,961,536
State Paid Tax Credits	178,065	162,570	183,954	206,271	158,721	161,747	133,160	109,314	81,947	53,106	41,498	29,828	25,310
Education Homestead Credit	0	0	0	0	0	0	0	0	160,902	297,922	319,403	327,358	333,881
Local Aid	29,707	29,887	30,000	29,558	29,414	27,503	39,416	40,125	41,814	45,592	48,737	52,228	56,103
Federal Aid	182,435	200,860	224,445	236,807	248,375	254,149	262,125	279,688	298,427	318,421	339,756	362,520	386,808
Subtotal - Intergovernmental Revenue	2,633,740	2,706,960	2,811,931	2,943,285	3,273,834	3,399,884	3,442,952	3,690,378	4,156,387	4,554,522	4,718,452	4,742,079	4,763,638
TOTAL SCHOOL DISTRICT REVENUES	4,309,503	4,566,819	4,820,380	5,150,979	5,608,448	5,857,122	6,030,171	6,397,456	6,718,852	7,036,554	7,302,798	7,457,161	7,601,283
Total State, Local & School District Revenues													
Tax Revenues	10,260,908	11,089,357	12,068,424	12,795,887	13,609,571	14,574,767	15,665,445	16,266,047	15,501,579	16,664,498	17,581,990	18,324,123	19,128,397
Non-Tax Revenues	4,111,100	4,363,486	4,561,036	4,875,644	5,061,159	5,444,289	5,773,182	6,218,992	6,840,296	6,881,969	7,120,723	7,428,832	7,567,947
Intergovernmental Revenue	7,205,600	7,431,378	7,781,119	8,426,697	8,831,826	9,043,405	9,390,233	9,910,725	10,897,980	11,408,303	11,672,103	11,818,803	11,958,308
TOTAL ALL REVENUES	**21,577,608**	**22,884,221**	**24,410,579**	**26,098,228**	**27,502,556**	**29,062,461**	**30,828,860**	**32,395,764**	**33,239,855**	**34,954,770**	**36,374,816**	**37,571,758**	**38,654,652**
Less: Intergovernmental Revenues	**(7,205,600)**	**(7,431,378)**	**(7,781,119)**	**(8,426,697)**	**(8,831,826)**	**(9,043,405)**	**(9,390,233)**	**(9,910,725)**	**(10,897,980)**	**(11,408,303)**	**(11,672,103)**	**(11,818,803)**	**(11,958,308)**
Total Own Source Revenues	**14,372,008**	**15,452,843**	**16,629,460**	**17,671,531**	**18,670,730**	**20,019,056**	**21,438,627**	**22,485,039**	**22,341,875**	**23,546,467**	**24,702,713**	**25,752,955**	**26,696,344**
Minnesota Personal Income	**84,887,500**	**87,867,500**	**94,475,000**	**97,202,500**	**104,110,000**	**109,452,500**	**117,422,500**	**123,210,000**	**129,950,500**	**135,455,400**	**141,707,200**	**147,861,000**	**154,978,175**
Revenue as Percent of Personal Income	**16.9%**	**17.6%**	**17.6%**	**18.2%**	**17.9%**	**18.3%**	**18.3%**	**18.2%**	**17.2%**	**17.4%**	**17.4%**	**17.4%**	**17.2%**