

HF4728 - 3A - PCR Claims Online System Establishment

Chief Author: **Kristin Bahner**
 Committee: **Taxes**
 Date Completed: **4/11/2024 8:19:02 AM**
 Lead Agency: **Revenue Dept**
 Other Agencies:
 Campaign Finance Board

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Campaign Finance Board	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Revenue Dept						
General Fund	-	-	147	59	59	
State Total						
General Fund	-	-	147	59	59	
Total	-	-	147	59	59	
Biennial Total			147			118

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Campaign Finance Board	-	-	-	-	-
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	.78	.4	.4
Total	-	-	.78	.4	.4

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/11/2024 8:19:02 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	147	59	59
Total	-	-	147	59	59
Biennial Total			147		118
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Campaign Finance Board	-	-	-	-	-
General Fund					
Expenditures	-	-	10	-	-
Absorbed Costs	-	-	(10)	-	-
Revenue Dept					
General Fund	-	-	147	59	59
Total	-	-	147	59	59
Biennial Total			147		118
2 - Revenues, Transfers In*					
Campaign Finance Board	-	-	-	-	-
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

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LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/11/2024 8:06:57 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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	Biennial Total		147		118	
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General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-		-	-

Bill Description

This description is on the DE3 amendment to HF 4728. This bill creates an electronic submission process for Political Contribution Refunds (PCRs).

Section 1: This section amends Minnesota Statutes 2022, section §10A.02, subd. 11b to allow data submitted to the Campaign Finance and Public Disclosure Board (Board) to be shared with the Department of Revenue to process the Political Contribution Refund (PCR). The data that is accessed, used, or maintained by the board is private data on individuals.

This section is effective January 1, 2026.

Section 2: This section amends Minnesota Statutes 2022, section §10A.322, subd. 4 to require the Board to provide an electronic receipt and require each receipt to include a unique identification number to allow Revenue to verify the receipt with the Board. Only contributions of \$10 or more must be issued receipts.

This section also requires the board produce a receipt validation report to the commissioner of revenue at least once a week. For each contribution reported, the report must include the date and amount of the contribution, the name and address of the contributor, the name and campaign identification number of the party or candidate that received the contribution, and receipt validation number assigned to the contribution.

The receipt validation report and receipt validation number are private data on individuals.

This section is effective for contributions made after December 31, 2025

Section 3: This section amends Minnesota Statutes 2023 Supplement, section §290.06, subd. 23 to allow a PCR claim to be made electronically or by paper and allow multiple PCR claims per year as long as the total doesn't exceed the maximum allowed per year (\$150 for Married Filing Joint couples and \$75 for everyone else). This section also indicates the minimum refund claim is at least \$10 and the commissioner must establish an electronic filing system to claim a refund.

Section 4: This section is a blank appropriation in FY25 from the general fund to the commissioner of revenue to implement an electronic filing system for PCRs. The onetime appropriation is available until June 30, 2026.

Assumptions

The Department of Revenue (Revenue) assumes creation of an electronic submission process for Political Contribution Refunds (PCRs) with a January 1, 2026 effective date.

Revenue assumes it will need to develop an interagency agreement with the Campaign Finance Board, conduct business systems development in e-services, and communicate with the public about the change. Revenue assumes this legislation will impact approximately 39,615 people based on 2022 PCR claims. Additional contact from these customers is anticipated as they will be new e-Services users.

The Appeals, Legal Services, and Disclosure Division assumes .30 FTE in FY25 for the Disclosure and Records Management unit (DRM) to negotiate, draft, and execute a data exchange agreement. The assumed costs are based on DRM's previous experience working with other agencies on data exchange agreements. DRM will need to hold numerous meetings with the board to discuss the agreement. DRM staff will draft the agreement and review language proposed by the board. DRM may need to draft Tennessee warning language. DRM attorneys and supervisors will review the agreement before it is finalized. DRM also anticipates the need to provide support, legal advice, and draft Tennessee warning language for the electronic filing system.

The Communication Division assumes it will need to review, edit, and publish website content; review and edit a rejection letter for GenTax (the Integrated Tax System); review and edit two email bulletins; review and edit a press release; and review and edit in-app messaging. Communications assumes it will need .01 FTE in FY25 for this work.

The Income Tax and Withholding (ITW) Division assumes a standard rate of 5 percent of the 39,615 (1,981) political contribution claimants will call or email about the new option to file the PCR electronically. With a standard rate of 10 minutes per call or email message, this equates to 330 hours or .16 FTE beginning in FY25 and ongoing.

MN.IT assumes system development costs of \$29,500 in FY25. Ongoing systems support of \$2,650 annually is assumed to begin in FY26.

The Tax Operations Division assumes .07 FTE in system development hours will be needed in FY25 largely for e-Services development. Tax Operations assumes 5 hours per fiscal year for system testing and maintenance.

Tax Operations assumes a 5 percent increase in the amount of political contribution claims that will need to be reviewed beginning in FY25 to accommodate for multiple claims to be made by a taxpayer in a single year. This equates to 495 hours or .24 FTE.

FTE Impact

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal, and Disclosure staff (MAPE)		.3		
Communications staff (MAPE)		.01		
Income Tax and Withholding staff (AFSCME)		.16	.16	.16
Tax Operations staff (MAPE)		.31	.24	.24
Total FTE Impact		.78	.4	.4

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

Administrative Impact

Administrative Costs (Savings)	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation		117,418	56,251	56,251
Systems Development		29,500		
Systems Support			2,650	2,650
Total Administrative Costs (Savings)		146,918	58,901	58,901

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

There are ongoing systems costs and staff costs related to customer service.

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

If information technology costs are included, my agency's Chief Business Technology Officer has reviewed the estimate.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 4/10/2024 8:41:27 PM

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Chief Author: **Kristin Bahner**
 Committee: **Taxes**
 Date Completed: **4/11/2024 8:19:02 AM**
 Agency: **Campaign Finance Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

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Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/9/2024 3:02:55 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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General Fund		-	-	-	-	-
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Biennial Total				-		-
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Expenditures		-	-	10	-	-
Absorbed Costs		-	-	(10)	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
General Fund						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill requires the Campaign Finance Board (the Board) to develop an electronic file of the political contribution refund receipts (PCR) issued by candidates and political party units for transfer to the Dept of Revenue. The Dept. of Revenue will use the file to verify applications for PCR refunds. The bill also requires that the Board’s existing campaign finance reporting software be able to generate PCR paper receipts with a unique identifier number. To create electronic PCR receipts the treasurers for candidates and political party units must enter the political donation into the online campaign finance reporting online application (CFRO). The Board will create a file of the donations that qualify for a PCR receipt, and send that file periodically to the Dept. of Revenue. The Dept of Revenue will build an online application that donors can use to request a PCR receipt. The Dept. of Revenue will compare the request entered by the donor with the file of eligible receipts received from the Board to verify that the refund request is valid.

Assumptions

The CFRO application already generates paper PCR receipts that meet the requirements of the bill. The Board will need to modify the CFRO application to write the PCR information for each donor to a central file that will be sent to the Dept. of Revenue. The majority of the features needed for this process are already in place. Treasurers already enter contributions into CFRO, the donation is already identified with a unique identification number, then saved to a database. To create the file for the Dept. of Revenue, the Board will need to modify CFRO will to also record qualified donations identified by the treasurer as PCR eligible to a separate file, and then combine the donations made by all candidates and party units into a single file for transfer to the Dept of Revenue.

Board staff developed CFRO, and an evaluation of the requirements of the bill by the Board’s programming staff results in the assumption that the needed modification can and will be done by existing staff. Staff time needed for the modification is worth approximately \$10,000 and the Board can absorb those costs as existing staff are fully funded in FY25. This should be a one-time development cost. The fiscal further assumes that the transfer of the file containing the PCR receipts from the Board to the Dept. of Revenue will be an automated process with no identifiable costs.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Jeff Sigurdson (651-539-1189)

Agency Fiscal Note Coordinator Signature: Jeff Sigurdson

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Date: 4/8/2024 9:50:12 AM

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