

March 28, 2023

	Yes	No
DOR Administrative Costs/Savings		x

Confidential

Department of Revenue
Analysis of H.F. 2763 (Howard) As Amended (H2763DE1)

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Metropolitan County Aid Account	\$90,500	\$112,200	\$115,700	\$119,000
State Rent Assistance Account	\$37,800	\$46,800	\$48,200	\$49,600
Metropolitan City Aid Account	\$22,700	\$28,100	\$28,900	\$29,800
Local Sales Tax Total	\$151,000	\$187,100	\$192,800	\$198,400

Assumed effective August 1, 2023.

EXPLANATION OF THE BILL

Current Law: Currently, the seven metropolitan counties all have imposed a country transportation tax. Anoka and Dakota counties have imposed the tax at 0.25%. Carver, Hennepin, Ramsey, Scott, and Washington counties have imposed the tax at 0.5%. All seven counties have also imposed a \$20 vehicle excise tax. In addition to the transit tax, Hennepin County has a 0.15% general sales tax.

Proposed Law: In addition to existing local sales and use taxes, the bill as amended would impose a sales and use tax of 0.25% in the metropolitan area. The tax would apply on the same base as the state sales and use tax.

The proceeds of the tax are to be distributed as follows: 60% to the metropolitan county aid account, 25% to the state rent assistance account, and 15% to the metropolitan city aid account.

REVENUE ANALYSIS DETAIL

- The estimate is based on the defined metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties excluding the cities of Cannon Falls, Northfield, Hanover, Rockford, and New Prague.
- The estimate is based on fiscal year 2022 collections of the currently imposed transit taxes.
- Total collections for the seven county transit taxes were \$284.6 million for fiscal year 2022.
- Growth is based on the February 2023 forecast for the state general sales and use tax.
- The estimates do not net out administrative costs retained by the Department of Revenue.
- The fiscal year 2024 estimate is adjusted for eleven months of impact.

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