

1.1 ..... moves to amend H.F. No. .... as follows:

1.2 Page 14, after line 18, insert:

1.3 "ARTICLE 5

1.4 MISCELLANEOUS

1.5 Section 1. Minnesota Statutes 2008, section 270C.11, is amended to read:

1.6 **270C.11 TAX FREEDOMS AND EXPENDITURE BUDGET.**

1.7 Subdivision 1. **Statement of purpose.** State governmental policy objectives are  
1.8 sought to be achieved both by direct expenditure of governmental funds and by the  
1.9 granting of special and selective tax relief or tax freedoms and expenditures. Both direct  
1.10 expenditures of governmental funds and tax freedoms and expenditures have an effect on  
1.11 the ability of the state and local governments to lower tax rates or to increase expenditures.  
1.12 As a result, tax freedoms and expenditures should receive a regular and comprehensive  
1.13 review by the legislature as to (1) their total cost, (2) their effectiveness in achieving their  
1.14 objectives, (3) their effect on the fairness and equity of the distribution of the tax burden,  
1.15 and (4) the public and private cost of administering tax freedom and expenditure financed  
1.16 programs. This section is intended to facilitate a regular review of the state and local tax  
1.17 freedom and expenditure budget by the legislature by providing for the preparation of a  
1.18 regular biennial tax freedom and expenditure budget.

1.19 Subd. 2. **Preparation; submission.** The commissioner shall prepare a tax freedoms  
1.20 and expenditure budget for the state. The tax freedoms and expenditure budget report shall  
1.21 be submitted to the legislature by February 1 of each even-numbered year.

1.22 Subd. 3. **Period covered.** The report shall include estimates of annual tax freedoms  
1.23 and expenditures for, at a minimum, a three-year period including the two-year period  
1.24 covered in the governor's budget submitted in the preceding January pursuant to section  
1.25 16A.11.

2.1 Subd. 4. **Contents.** The report shall detail for each tax freedom and expenditure  
 2.2 item the amount of tax revenue forgone, a citation of the statutory or other legal authority  
 2.3 for the freedom and expenditure, and the year in which it was enacted or the tax year in  
 2.4 which it became effective. The report may contain additional information which the  
 2.5 commissioner considers relevant to the legislature's consideration and review of individual  
 2.6 tax freedom and expenditure items. This may include, but is not limited to, statements of  
 2.7 the intended purpose of the tax freedom and expenditure, analysis of whether the freedom  
 2.8 and expenditure is achieving that objective, and the effect of the freedom and expenditure  
 2.9 device on the distribution of the tax burden and administration of the tax system. Chapter  
 2.10 headings and provisions listed in the report must be labeled according to the definitions  
 2.11 of "tax freedom" and "tax expenditure" in subdivision 6.

2.12 Subd. 5. **Revenue estimates; legislative bills.** Upon reasonable notice from the  
 2.13 chair of the house of representatives or senate tax committee that a bill is scheduled for  
 2.14 hearing, the commissioner shall prepare an estimate of the effect on the state's tax revenues  
 2.15 which would result from the passage of a legislative bill establishing, extending, or  
 2.16 restricting a tax freedom and expenditure. These revenue estimates shall contain the same  
 2.17 information as provided in subdivision 4 for freedom and expenditure items contained in  
 2.18 the tax freedoms and expenditure budget, as appropriate.

2.19 Subd. 6. **Definitions.** For purposes of this section, the following terms have the  
 2.20 meanings given:

2.21 (1) "tax ~~freedom~~expenditure" means a non-refundable tax provision which provides  
 2.22 a gross income definition, deduction, exemption, credit, or rate for certain persons, types  
 2.23 of income, transactions, or property that results in reduced tax revenue; ~~and~~

2.24 (2) "tax expenditure" means a refundable tax provision which provides a gross  
 2.25 income definition, deduction, exemption, credit, or rate for certain persons, types of  
 2.26 income, transactions, or property tax results in a refund in excess of tax liability to the  
 2.27 claimant; and

2.28 ~~(2)~~ (3) "tax" means any tax of statewide application or any tax authorized by state  
 2.29 law to be levied by local governments generally. It does not include a special local tax  
 2.30 levied pursuant to special law or to a special local tax levied pursuant to general authority  
 2.31 that is no longer applicable to local governments generally.

2.32 **EFFECTIVE DATE.** This section is effective the day following final enactment."