

HOUSE RESEARCH

Bill Summary

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Authors: Wilkin and others

Subject: Extraordinary Majority to Approve Tax Increases

Analyst: Joel Michael, 651-296-5057

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Overview

This bill proposes a constitutional amendment that would require a law to pass the legislature by a three-fifths vote, if the law:

- increases a state sales tax
- increases a state income tax
- increases property taxes
- imposes a new state tax

1 Tax increases; vote requirements. Requires a three-fifths vote by each house of the legislature to enact a law that:

- Increases the general rate of an income or sales tax
- Increases the tax base of an income or sales tax
- Increases property taxes
- Enacts a new statewide tax of any type.

A law increases property taxes, if it does any of the following:

- Increases a property tax rate or levy set by law
- Authorizes a governmental unit to impose or increase a property tax rate or levy
- Reduces total state aid to governmental units with authority to increase their property tax rates or levies
- Imposes additional requirements to provides services or spend money on a governmental unit with authority to impose or increase property taxes

Background information. The bill's supermajority requirement would clearly apply to increases in the individual income, general sales, and motor vehicle sales taxes. It probably would apply to the corporate franchise tax, as well, since the tax is imposed on the net income of corporations. Whether the bill's requirement applies to excise taxes (such as the tax on motor

fuels, cigarettes, and alcoholic beverages) or other special taxes will depend upon whether these taxes are considered taxes on "sales" or "income." Many of these taxes are imposed on a per unit basis (e.g., per gallon or cigarette) or on gross receipts. Imposition of these taxes may or may not be triggered by a "sale." Each tax would need to be analyzed separately. *Compare*, e.g., Minn. Stat. § 297F.05, subd. 1 (the tax on cigarettes is "imposed on the sale of cigarettes") with Minn. Stat. § 296A.07, subd. 7 (gasoline tax imposed on "use" of gasoline on public highways or the first distributor who "received" the product in the state). Some taxes, such as gross receipts taxes, could be considered taxes on income.