

HOUSE RESEARCH

Bill Summary

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Subject: Extraordinary Majority to Approve Tax Increases

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Overview

This bill requires, by statute, that laws increasing a state sales or income tax, increasing the general education levy, or imposing a new state tax must pass the legislature by a three-fifths vote of each house of the legislature.

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 the general education levy

- Enacts a new statewide tax of any type

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.