

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 5

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Version: Amendment (H5A2)

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Subject: Extraordinary Majority to Approve Tax Increases

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Overview

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

- increase a state sales tax
- increase a state income tax
- increase a property tax levy or rate set or mandated by state law
- imposing 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 a state determined property tax levy or rate
- enacts a new statewide tax of any type.

A state determined property tax is defined as one that is set or required to be levied by state law or that a local government must impose to receive state aid.

Background information. The bill's super-majority 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.