

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 78 **DATE:** March 25, 1999
Version: With author's amendment
Authors: McCollum and others
Subject: Reducing the sales tax rate and requiring a super-majority to increase the sale
Analyst: Pat Dalton, 651-296-7434

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

- 1 **Constitutional amendment; question.** Proposes a constitutional amendment to require a two-thirds vote by both houses of the legislature to either increase the general sales tax rate, or to rescind a rate reduction caused by a budget surplus as provided for in section 3. The amendment would be voted on at the November 2000 election.
- 2 **Sales tax generally.** Reduces the general sales tax rate to 5.5 percent beginning with sales made after June 30, 1999. With section 3, requires that the sales tax rate be further reduced at one-tenth of one percent intervals if a budget surplus is forecast in the future. This rate applies to motor vehicles as well as the general sales but does not apply to beer and liquor sales which are taxed at 9.0 percent.
- 3 **General sales tax rate reduction.** Requires that a projected budget surplus at a November or February forecast in the end of the biennium be used to permanently reduce the general sales tax rate beginning at the start of the next biennium. The commissioner of finance will calculate the reduction to the nearest one-tenth of one percent so that the reduced sales tax revenues in the next biennium equal the estimated surplus.
- 4 **Effective date.**