

HOUSE RESEARCH

Bill Summary

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Subject: Various sales tax changes

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Overview

This bill accomplishes three things:

It reduces the general sales tax rate from 6.5 percent to 6.0 percent.

It exempts local government purchases from the sales and use tax.

It eliminates the payment made to the general fund in-lieu of sales taxes on state lottery tickets. Since lottery profits are split -- 40 percent to the environment and natural resources trust fund and 60 percent to the general fund -- the result is to decrease the amount of revenue going to the general fund and increase the amount going to the environment and natural resources trust fund.

- 1 Sales tax generally.** Reduces the general sales and use tax rate from 6.5 percent to 6.0 percent. This is also a reduction in the motor vehicle sales tax rate.
- 2 Sales to government.** Exempts sales to all local governments from the sales tax. This includes sales to their agencies and instrumentalities (e.g., joint power boards). Deletes redundant language that currently exempts specific types of purchases by certain types of local governments. Clarifies that motor vehicles that are exempt from the motor vehicle sales tax if purchased by local governments are also exempt from the general sales tax if the vehicle is leased.
- 3 Lottery tickets; exemption.** Removes the requirement that the state lottery make a monthly payment in lieu of sales tax of lottery tickets. Under current law, no sales tax is imposed on the sales of state lottery tickets, but the state lottery makes a payment to the general fund equal to the amount of sales tax that would be collected each month if the tax was imposed. This section would leave the exemption from the sales tax in place but remove the in-lieu payment.
- 4 Reporting of sales tax on Minnesota governments.** Removes the language requiring that sales tax paid by local governments be reported to the U.S. Department of Commerce as intergovernmental revenue.

- 5 **Gross Receipts.** Removes the subtraction of the in-lieu payments from the definition of gross receipts from the sale of lottery tickets.
- 6 **Transfer of cash balances.** Increases the amount of state lottery profits that must be deposited as follows: 40 percent in the environmental trust fund and 60 percent in the general fund.
- 7 **Effective date.** The entire bill is effective for sales made after June 30, 1999.