

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** HF 254

**DATE:** February 16, 1999

**Version:** As introduced

**Authors:** Hasskamp and others

**Subject:** Income tax and sales tax rate reduction

**Analyst:** Nina Manzi Pat Dalton

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](http://www.house.mn/hrd).

---

### Overview

Reduces the current income tax rates from 6 percent to 5.5 percent, 8 percent to 7.5 percent, and 8.5 percent to 8 percent. Reduces the alternative minimum tax rate from 7 percent to 6.8 percent.

Reduces the general sales tax rate from 6.5 percent to 6.0 percent and exempts local government purchases from the sales tax.

- 1 Income tax rates.** Makes changes in the individual income tax rates. The 6 percent rate is reduced to 5.5 percent, the 8 percent rate is reduced to 7.5 percent, and the 8.5 percent rate is reduced to 8.0 percent.
- 2 Indexing.** Directs the commissioner to adjust the brackets set in section 1 for inflation, beginning in tax year 2000.
- 3 AMT rate.** Reduces the alternative minimum tax (AMT) rate from 7 percent to 6 percent.
- 4 Definition of tentative minimum tax.** Makes a conforming change in the definition of tentative minimum tax to reflect the change in the AMT rate.
- 5 AMT credit.** Makes a conforming change in the AMT credit to reflect the change in the AMT rate.
- 6 Sales tax; general rate.** Reduces the general sales and use tax rate from 6.5 percent to 6.0 percent. This rate reduction would also apply to the motor vehicle sales tax.
- 7 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 leased by local governments are exempt from the sales tax if they would be exempt from the motor vehicle sales tax if purchased.
- 8 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.

- 9** **Effective dates.** The income tax rate reductions are effective beginning in tax year 1999. The sales tax provisions are effective for sales made after June 30, 1999.