

HOUSE RESEARCH

Bill Summary

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Overview

This bill establishes a 15-member tax reform commission in the legislative branch. The commission is directed to study the state tax and revenue system and make recommendations to the legislature for revenue neutral changes, including a draft bill implementing its recommendations, by July 2013.

- 1 **Findings.** Makes legislative findings that the tax system is not well adapted to the changing economy and needs to be reformed to make it:
 - Simple and transparent
 - Beneficial for job creation
 - Fair and equitable
 - Neutral and efficient

- 2 **Tax reform commission.** Establishes a tax reform commission in the legislative branch to study the tax and revenue system and to make recommendations to the legislature.

Membership. The commission consists of 15 members, appointed as follows:

 - Three gubernatorial appointees: two from the executive branch and one private citizen
 - Four appointees by the Senate majority leader: two Senate members and two private citizens
 - Two appointees by the Senate minority leader: one Senate member and one private citizen
 - Four appointees by the Speaker of the House: two House members and two private citizens
 - Two appointees by the House minority leader: one House member and one private citizen

The speaker and majority leader each designates a co-chair of the commission, who is responsible for

supervising the staff. Appointments are to be made within 14 days of enactment. Members serve for the life of the commission and vacancies are filled in the same manner as the original member. The commission is to first meet no later than 60 days after enactment.

Duties. The commission is directed to study and evaluate Minnesota's state and local tax system with the goal of making long-term improvements. Specifically directs the commission to examine:

- The mix of state revenue between taxes and fees
- The implications of expected demographic and economic changes on the revenue system
- The extent to which the existing system and the commission's proposal satisfy the basic tax policy principles of equity, neutrality, revenue adequacy, competitiveness, simplicity, ease of compliance and administration, and visibility or accountability

Report. The commission is to report to the legislature no later than July 1, 2013, on:

- Results of the commission's evaluation of the existing tax system and alternatives
- Recommendations for reform and improvement, done on a revenue neutral basis
- A draft bill implementing its recommendations for introduction in the 2014 legislative session.

Per diem. Commissioner members receive a per diem of \$55 when engaged in commission work and to be compensated for expenses.

Appropriation. The section contains a blank general fund appropriation for fiscal years 2012 and 2013.

Staff. The commission can hire or use existing legislative and executive branch staff. Legislative staff and Department of Revenue staff must provide services to the commission on request.

Expiration. The commission terminates 30 days after submitting its report.