

HOUSE RESEARCH

Bill Summary

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Overview

Creates a Tax Expenditure Advisory Commission. Requires the Commission to make recommendations each odd-numbered year on whether tax expenditures should continue or should expire. Establishes a schedule under which tax expenditures are subject to review and expiration.

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- 1 Title and purpose.** States the purpose of this chapter, which shall be known as the “Tax Expenditure Review Act.”
- 2 Definitions.** Defines terms used in this bill, including:
 - “Tax expenditure” means a tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue; and
 - “Tax” means any tax of statewide application or any tax authorized by state law to be levied by local governments (but not a special local tax levied under special law or levied under general authority that no longer applies to local governments generally).
- 3 Tax Expenditure Advisory Commission.** Creates a Tax Expenditure Commission consisting of the following 12 members appointed by the governor:
 - (1) three senators and three house members, including the chairs of the tax committees, with no more than three of the six legislators being from the same

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political party; and

(2) six public members, including at least one citizen representing working families, one representative of a nonprofit, and one person with experience in economic or business development. Other members must have a basic understanding of state tax policy, government operations, and public services.

Provides for terms, term limits, appointments, vacancies, officers, quorum and voting requirements, and expense reimbursement.

- 4 **Staff.** Requires the commission to employ an executive director and requires the executive director to employ other necessary staff.
- 5 **Rules.** Requires the commission to adopt rules necessary to carry out this chapter.
- 6 **Report to commission.** Under current law, the Commissioner of Revenue is required to prepare a tax expenditure report to the legislature by February 1 of each even-numbered year. This section requires that by September 1 of each even-numbered year, the commissioner provide specified additional information for each tax expenditure scheduled to expire during the following biennium.
- 7 **Commission duties.** Requires that before February 1 of each odd-numbered year, the commission must review tax expenditure information and recommend continuation or repeal of each tax expenditure subject to expire in that legislative session. Provides that these recommendations and specified findings must be reported to the chairs of legislative tax committees. Requires that before January 1 of each odd-numbered year, the commission hold public hearings concerning the impact of tax expenditures subject to commission review.
- 8 **Review and periodic reenactment of tax expenditures.** Establishes a schedule for sunset review and expiration of current tax expenditures. Under this schedule, tax expenditures are divided into five clusters, with each cluster of tax expenditures subject to review and expiration at the end of each odd-numbered year.

Requires that new or renewed tax expenditures include an intent statement providing the purpose of the tax expenditure and an expiration date that must be 12 years or less from the effective date, and that must correspond to the expiration date for other tax expenditures in the same tax area.
- 9 **Monitoring of recommendations.** Requires commission staff to monitor legislation affecting tax expenditures and to report to commission members.
- 10 **Continuation by law.** Provides that the legislature may enact legislation to continue a tax expenditure contained in a commission report for up to 10 years. States that this chapter does not prohibit the legislature from eliminating a tax expenditure earlier.
- 11 **Gifts and grants.** Authorizes the commission to accept gifts, grants, and donations. Requires these to be accepted in an open meeting by a majority vote of the commission.

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Appropriates the proceeds to the commission.