

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 708
Version: As introduced

DATE: February 23, 2015

Authors: Runbeck and others

Subject: Extraordinary Majority to Approve Tax Increases

Analyst: Joel Michael, joel.michael@house.mn

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/.

Overview

This bill proposes a constitutional amendment that, if approved by the voters, would require a law to pass the legislature by a three-fifth majority vote, if the law:

- Increases a state income tax
- Increases a state sales tax
- Imposes a new state tax

Laws that increase one or more of the covered taxes, but decrease other taxes by an equal or greater amount would not be subject to the supermajority approval requirement.

Section

1 Tax increases; vote requirements. Requires a three-fifths vote by each house of the legislature to enact a law that:

- Increases the general rate of an income or sales tax
- Increases the tax base of an income or sales tax
- Enacts a new statewide tax of any type

The supermajority approval requirement would not apply to a law that increases one or more taxes, but provides for equal or greater tax reductions on a permanent basis (i.e., when all of the provisions are fully effective).

Section

Background information. The bill's supermajority requirement would clearly apply to increases in the individual income, general sales, and motor vehicle sales taxes. It probably would apply to the corporate franchise tax, as well, since the tax is imposed on the net income of corporations. Whether the bill's requirement applies to excise taxes (such as the tax on motor fuels, cigarettes, and alcoholic beverages) or other special taxes will depend upon whether these taxes are considered taxes on "sales" or "income." Many of these taxes are imposed on a per unit basis (e.g., per gallon or cigarette) or on gross receipts. Imposition of these taxes may or may not be triggered by a "sale." Each tax would need to be analyzed separately. Compare, e.g., Minn. Stat. § 297F.05, subd. 1 (the tax on cigarettes is "imposed on the sale of cigarettes") with Minn. Stat. § 296A.07, subd. 7 (gasoline tax imposed on "use" of gasoline on public highways or the first distributor who "received" the product in the state). Some taxes, such as gross receipts taxes, could be considered taxes on income (since gross receipts are equivalent to gross income) or sales taxes (the bases of some state sales taxes are expressed in terms of "gross receipts").

The Minnesota Constitution requires extraordinary majorities of the legislature for:

- A two-thirds majority is required to enact a law or appropriation over a governor's veto or item veto. Minn. Const. art. IV § 23.
- A two-thirds majority is required to enact a "general banking law." Minn. Const. art. IV § 26 (interpreted by the Supreme Court to refer to banking laws authorizing issuance of circulating notes – essentially banks with monetary powers).
- A two-thirds majority is required to submit calling a constitutional convention to the voters. Minn. Const. art. IX § 2.
- A three-fifth majority is required to authorize state debt to acquire or better state lands and buildings. Minn. Const. art. XI § 5(a).
- A two-thirds majority of the Senate is required to convict an impeached official. Minn. Const. art. VIII § 1.

2 **Submission to voters.** Provides the ballot question for the constitutional amendment.