

1.1 Senator moves to amend H.F. No. 3669, the second unofficial engrossment,
1.2 as follows:

1.3 Page 162, after line 17, insert:

1.4 "Sec. 2. Minnesota Statutes 2021 Supplement, section 3.8855, subdivision 4, is amended
1.5 to read:

1.6 Subd. 4. **Duties.** (a) In the first three years after the commission is established, the
1.7 commission must complete an initial review of the state's tax expenditures. The initial review
1.8 must identify the purpose of each of the state's tax expenditures, if none was identified in
1.9 the enacting legislation or submitted to the commission in accordance with section 3.192.
1.10 The commission may also identify metrics for evaluating the effectiveness of an expenditure.

1.11 (b) In each year following the initial review under paragraph (a), the commission must
1.12 review and evaluate Minnesota's tax expenditures on a regular, rotating basis. The
1.13 commission must establish a review schedule that ensures each tax expenditure will be
1.14 reviewed by the commission at least once every ten years. The commission may review
1.15 expenditures affecting similar constituencies or policy areas in the same year, but the
1.16 commission must review a subset of the tax expenditures within each tax type each year.
1.17 To the extent possible, the commission must review a similar number of tax expenditures
1.18 within each tax type each year. The commission may decide not to review a tax expenditure
1.19 that is adopted by reference to federal law.

1.20 (c) Before December 1 of the year a tax expenditure is included in a commission report,
1.21 the commission must hold a public hearing on the expenditure, including but not limited to
1.22 a presentation of the review components in subdivision 5.

1.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.24 Sec. 3. Minnesota Statutes 2021 Supplement, section 3.8855, subdivision 5, is amended
1.25 to read:

1.26 Subd. 5. **Components of review.** (a) When reviewing a tax expenditure, the commission
1.27 must at a minimum:

1.28 (1) provide an estimate of the annual revenue lost as a result of the expenditure;

1.29 (2) identify the purpose of the tax expenditure if none was identified in the enacting
1.30 legislation or submitted to the commission in accordance with section 3.192;

- 2.1 (3) estimate the measurable impacts and efficiency of the tax expenditure in
2.2 accomplishing the purpose of the expenditure;
- 2.3 (4) compare the effectiveness of the tax expenditure and a direct expenditure with the
2.4 same purpose;
- 2.5 (5) identify potential modifications to the tax expenditure to increase its efficiency or
2.6 effectiveness;
- 2.7 (6) estimate the amount by which the tax rate for the relevant tax could be reduced if
2.8 the revenue lost due to the tax expenditure were applied to a rate reduction;
- 2.9 (7) if the tax expenditure is a significant tax expenditure, estimate the incidence of the
2.10 tax expenditure and the effect of the expenditure on the incidence of the state's tax system;
- 2.11 (8) consider the cumulative fiscal impacts of other state and federal taxes providing
2.12 benefits to taxpayers for similar activities; and
- 2.13 (9) recommend whether the expenditure be continued, repealed, or modified.
- 2.14 (b) The commission may omit a component in paragraph (a) if the commission determines
2.15 it is not feasible due to the lack of available data, third-party research, staff resources, or
2.16 lack of a majority support for a recommendation.

2.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.18 Page 162, after line 25, insert:

2.19 "Sec. 5. Minnesota Statutes 2021 Supplement, section 270C.11, subdivision 4, is amended
2.20 to read:

2.21 Subd. 4. **Contents.** (a) The report shall detail for each tax expenditure item:

2.22 (1) the amount of tax revenue forgone;

2.23 (2) a citation of the statutory or other legal authority for the expenditure;

2.24 (3) the year in which it was enacted or the tax year in which it became effective;

2.25 (4) the purpose of the expenditure, as identified in the enacting legislation, as submitted
2.26 to the commission in accordance with section 3.192 or as determined by the Tax Expenditure
2.27 Review Commission;

2.28 (5) the incidence of the expenditure, if it is a significant sales or income tax expenditure;
2.29 and

3.1 (6) the revenue-neutral amount by which the relevant tax rate could be reduced if the
3.2 expenditure were repealed.

3.3 (b) The report may contain additional information which the commissioner considers
3.4 relevant to the legislature's consideration and review of individual tax expenditure items.
3.5 This may include but is not limited to analysis of whether the expenditure is achieving that
3.6 objective and the effect of the expenditure on the administration of the tax system.

3.7 **EFFECTIVE DATE.** This section is effective for tax expenditure budgets due on or
3.8 after November 1, 2023."

3.9 Renumber the sections in sequence and correct the internal references

3.10 Amend the title accordingly