Article 1: Year 2000 Sales Tax Rebate
Overview

Provides for a 2000 sales tax rebate that would be paid automatically to individuals who had income tax liability in 1998 or who filed a claim for the 1998 property tax rebate. The minimum and maximum rebates are $125 and $1,750 for married couples filing joint returns and heads of household, and $71 and $875 for other filers. The 2000 sales tax rebate schedule would be reduced by the amount of additional 1999 rebates paid under the filing extension in Article 2.

1 Statement of purpose. Describes the Legislature's intent in enacting a sales tax rebate and asserts that it is:
   reasonable to rebate sales tax;
   reasonable to use estimates and averages to calculate individual rebates in the absence of a practical method of determining actual sales tax amounts paid by individuals; and
   reasonable to use the Department of Revenue's Tax Incidence Report, which analyzes the relationship between income and tax burdens, to estimate sales tax liability.

2 Sales tax rebate.

   Paragraph (a). Eligibility. Defines a person eligible for a rebate as someone who:
      filed for the 1998 property tax rebate before November 30, 2000;
      filed a 1998 income tax return with at least $1 of liability before refundable credits, and was not claimed as a dependent on another return; or
      had property taxes abated in 1998 as part of a tornado relief law.

   Paragraphs (b) and (c). Rebate schedule. Provide tables showing the rebate amounts by taxable income. The minimum rebate is $125 for married couples filing joint returns and head of household filers, and $71 for single and married separate filers. The maximum rebate is $1,750.
Paragraph (d). Rebate for nonresidents. Provides that individuals who were not residents of Minnesota for any part of 1998 who paid more than $10 of consumer sales tax in that year may apply for a rebate. The rebate for nonresidents equals the lesser of 22 percent of the amount for which a claimant has receipts or the amount the claimant would have qualified for if they had been Minnesota resident. Claimants must apply to the commissioner by June 15, 2001, or 30 days after enactment, whichever is later.

Paragraph (e). Income. States that the rebate tables are based on federal taxable income plus Minnesota additions, such as out-of-state tax exempt bond interest and the itemized deduction for state income taxes (line 4 on the 1998 form M-1). For part-year residents the rebate is apportioned by the percentage that the claimant's Minnesota assignable income is of total income.

Paragraph (f). Minimum rebate. Provides a rebate of $71 to social security recipients who were Minnesota residents in 1998 but who did not claim a 1998 property tax rebate or have 1998 income tax liability.

Paragraph (g). Fiscal year taxpayers. Extends the filing deadline for fiscal year taxpayers based on the starting date of the taxpayer's fiscal year 1998.

Paragraph (h). Interest. Specifies that rebates not paid by April 1, 2001, bear interest.

Paragraph (i). Amended returns. Provides that sales tax rebates will not be recomputed based on adjustments to a taxpayer's 1998 income tax return that are filed after June 15, 2000.

Paragraph (j). Divorced claimants; deceased claimants. Directs the commissioner to issue a joint rebate to taxpayers who filed a joint return in 1998. Allows taxpayers who filed a joint 1998 return to request a check for one-half of the joint rebate, if the original check has not been cashed. Also allows the commissioner to issue separate rebate checks to taxpayers who filed a joint return in 1998 but separate returns in 1999, or who notify the commissioner of separate addresses. Allows the commissioner to issue separate checks to beneficiaries of estates entitled to rebates if probate has closed before the rebate check was received. Requires the estate to provide documentation to the commissioner.

Paragraph (k). Tax disclosure laws. Provides that the rebate is subject to tax disclosure laws.

Paragraph (l). Delinquent taxes. Provides that the commissioner may retain the rebate to offset delinquent taxes.

Paragraph (m). Right to rebate. Provides that the right to the rebate lapses and the rebate reverts to the general fund for rebate checks not cashed by July 1, 2002.

Paragraph (n). Appeal of rebate amount. Provides a mechanism for taxpayers to protest if they did not receive a rebate or if they received an incorrect amount. The regular administrative and court appeal rights apply.

Paragraph (o). Revenue recapture. Provides that the rebate is subject to Revenue Recapture for debts owed to the state.


Paragraph (q). Theft of rebates. Provides that the commissioner may issue an order of assessment for the appropriate amount for a rebate check that is forged, improperly endorsed, or determined to have been issued in error or overstated. The assessment must be issued within two years unless cashing the check constituted forgery or theft, in which case there is no statute of limitation. The assessment can be appealed administratively and judicially, and collection may be commenced under chapter 289A.
Paragraph (r). Commissioner's authority. Authorizes the commissioner to take whatever action is deemed necessary to pay the rebate. Allows the commissioner, in consultation with the Department of Finance and State Treasurer, to contract with a private vendor to process, print, and mail the rebate checks and receive and disburse state funds when checks are cashed.

Paragraph (s). Payment by EFT. Authorizes the commissioner of revenue to pay the rebate by electronic funds transfer to individuals who received their 1999 income tax refund by electronic funds transfer.

Paragraph (t). Resident. Defines "resident" for purposes of the rebate to have the same meaning as for the individual income tax.

3 Appropriations. Appropriates $1.7 million to the commissioner of revenue for administering the rebate.

Article 2: 1999 Sales Tax Rebate

Overview

Extends the filing deadline for the 1999 sales tax rebate to June 15, 2001, and provides that all late filers will receive the minimum rebate amount.

1 1999 Sales Tax Rebate; extension of time to file. Extends the time allowed to file for a 1999 sales tax rebate to June 15, 2001, but limits these filers to the minimum rebate for their filing status. The deadline for filing under present law is June 15, 1999. These late filers (as well as residents age 18 and over qualifying for rebates under the bill) would have until July 1, 2001, to request a rebate or a corrected rebate, if they did not receive a rebate or the correct amount. Rebates to late filers bear interest beginning October 1, 2000.

Extension of time to file. Extends the time allowed to file for a 1999 sales tax rebate to June 15, 2001, but limits these filers to the minimum rebate for their filing status. The deadline for filing under present law is June 15, 1999. These late filers (as well as residents age 18 and over qualifying for rebates under the bill) would have until July 1, 2001, to request a rebate or a corrected rebate, if they did not receive a rebate or the correct amount. Rebates to late filers bear interest beginning October 1, 2000.

Administrative changes. This section also makes various retroactive changes related to the administration of the 1999 sales tax rebate:

Fiscal year taxpayers. Extends the filing deadline for fiscal year taxpayers based on the starting date of the taxpayer's fiscal year 1997.

Deceased claimants. Allows the commissioner to issue separate checks to beneficiaries of estates entitled to rebates if probate has closed before the rebate check was received. Requires the estate to provide documentation to the commissioner.

Overpaid rebates. Provides that the commissioner may issue an order of assessment for the appropriate amount if a rebate check is determined to have been issued in error or overstated. The assessment must be issued within two years. The assessment can be appealed administratively and judicially, and collection may be commenced under chapter 289A.

2 Application of other law. Provides these rebates would not be subject to the $1.3 billion limit on the total amount of rebates. Interest would be paid on unpaid amounts after October 1, 2000.

3 Appropriation. Appropriates money sufficient to pay the additional rebates.

4 Effective date. Day following final enactment.

Article 3: Passenger Automobile Registration Tax

Overview
This article reduces the maximum registration tax on passenger automobiles to $75 in the second and later years after initial registration. It appropriates money from the general fund to replace the reductions in revenues to the dedicated transportation funds.

1 **Passenger automobile registration tax.** Limits the tax on registration of a passenger automobile (after the initial registration of a new automobile) to $75. This is effective for registrations required to be made after June 30, 2000.

2 **Appropriation.** Transfers $276.248 million from the general fund to highway user tax distribution fund for apportionment and distribution to the various dedicated transportation accounts to replace the revenue lost as a result of the reduction in the registration tax.

3 **Effective date.** Effective for motor vehicle registrations after June 30, 2000.

### Article 4: Tax Relief and Reform

#### Overview

This article establishes a new tax relief and reform account in the general fund. The property tax reform account is abolished and its money transferred to the new account. Additional moneys could be dedicated by the legislature to this account. Money in the account is to be used for reform that meets specified tax policy principles (equity, administrative ease, more accountability, and so forth) or to pay rebates. Surpluses (over 0.5% of the general fund) from the last two forecasts of a biennium are also to be put into this account, but are to be rebated as provided by present law.

1 **Deposit of revenues.** Provides two ways for revenues to be deposited in the tax relief and reform account:
   - by specification by the governor as part of the biennial or supplemental budget and as enacted or modified by the legislature;
   - as a result of a projected unrestricted general fund balance greater than 0.5% of general fund revenues made in November of an even-numbered year or February of an odd-numbered year. In this case the entire surplus would be assigned to the tax relief and reform account, and as in current law the governor would be required to submit to the legislature a plan for rebating the surplus.

2 **Tax relief and reform account.** Establishes a tax relief and reform account in the general fund to provide tax relief and reform. The governor may make recommendations for use of the money in the account as part of the biennial budget recommendations. The account is permanent and money remains in it until appropriated. But interest attributable to the account is credited to the general fund.

3 **Use of tax relief and reform account.** Specifies that amounts in the tax relief and reform account may only be used to:
   - fund rebates as provided in current law;
   - reduce tax burden inequities among taxpayers based on ability to pay;
   - reduce complexities and administrative burdens in Minnesota's tax system;
   - reform the tax system to reflect changes in the economy relating to the nature of transactions, sources of wealth and income, and forms of business organization; and
   - increase overall government accountability by better aligning intergovernmental responsibilities and identifying the appropriate role for the property tax.

4 **Transfer of funds.** Provides that any unrestricted general fund balance at the close of a biennium is transferred to the tax relief and reform account.

5 **Property tax reform account.** Abolishes the property tax reform account, along with the
repealer. Money in the account is transferred to the new tax relief and reform account.

6 Tax relief account. Abolishes the tax relief account established in the 1999 session.

7 Repealer. Repeals the property tax reform account.

8 Effective date. Effective following final enactment.

Article 5: Levy Limits

Overview

Extends the current levy limits for cities with a population greater than 2,500, and for all counties to taxes levied in 2000, payable in 2001. Currently these limits expire after taxes payable in 2000.

1 Levy limit base. Extends the calculation of the levy limit base for one more year. Provides for the second year portion of the decrease in county levy authority due to the state takeover of certain court costs that began July 1, 2000. Because of the difference in budget years between the state and counties, this levy adjustment is made over a two-year time period.


3 Levy limit. Extends the calculation of the property tax levy limit for counties and large cities for one more year, to taxes levied in 2000, payable in 2001.

4 Levy adjustments for consolidations. Corrects an error in the current law for calculating a new levy limit base for a local governmental unit after consolidation. The current law ignores aids when calculating the new levy limit base but by definition levy limit base should be the combination of levy plus aids. Aids are now included in the calculation.

- Levy limit extension. Updates the effective dates for previous levy limit provisions to reflect the 10510 extension of levy limits under this article.

11 Effective date.

Article 6: Premium Taxes

Overview

This article exempts HMOs and nonprofit health service corporations from the 1% premium tax in calendar years 2000 and 2001 and changes the timing of the trigger provisions for this tax in later years.

1 Premiums tax. Exempts health maintenance organizations (HMOs), community integrated service networks, and nonprofit health service plans (e.g., Blue Cross and Delta Dental) from the premiums tax for calendar year 2000 and 2001. This tax is not currently being imposed on these entities. Under present law, the tax could be imposed in calendar year 2001 (at a rate of up to 1%), if on September 1, 2000 the commissioner of finance found the health care access fund was not in structural balance. (Language relevant only to the issue of structural balance in FY 2000 and FY2001 is repealed, since the bill precludes the "trigger" from taking effect in those years.) This section also changes and clarifies the "trigger" for future imposition of the premiums tax on HMOs, community integrated service networks, and nonprofit health service plans. Under present law, on September 1st the commissioner estimates whether the fund will be in structural balance for the "following fiscal year" (e.g., on September 1, 2001, which is in FY2002, she would estimate structural balance for FY2003). If the commissioner finds the fund is out of structural balance, the tax is imposed (in 1/4 of a percentage point increments up to 1%) in the "following calendar year" (i.e., CY2002 in the parenthetical example above). The bill changes this so the finding is based on the balance in the current (rather than the following) fiscal year. Thus, on September 1, 2001, the estimates would relate to FY2002 (not FY2003), but the tax would still be imposed as under present law (i.e., CY2002 in the example).
2  **Effective date.** Provides it is effective for premiums paid beginning in CY2000. This effectively ratifies the commissioner of finance's finding that the trigger for the premium tax did not apply to CY2000.