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### Overview

Increases individual income and alcohol taxes, imposes a new surtax on certain interest income and appropriates \$4.66 million for tax compliance and debt collection initiatives. Transfers \$986 million in the fiscal year 2010-2011 biennium and \$1 billion in the fiscal year 2012-2013 biennium to new accounts established for K-12 education, nursing homes and long-term care, and hospitals. Sunsets the income tax increase after tax year 2013 if the fiscal year 2013 unrestricted general fund balance exceeds \$500 million.

#### Section

- 1 **Individual income tax rates.** Adds a new 9 percent rate at \$250,000 of taxable income for married joint filers, with the threshold adjusted for other filing statuses (\$125,000 for married separate filers, \$141,250 for single filers, and \$212,500 for head of household filers). Sunsets the 9 percent rate after tax year 2013 if the February 2013 forecast shows an unrestricted general fund balance of \$500 million or more.  
  
**Effective date:** tax year 2009
- 2 **Inflation adjustment.** Re-sets the annual inflation adjustment of the income tax brackets to use the tax year 2009 amounts specified in section 1 as the base for future annual adjustments.
- 3 **Surtax on certain interest income.** Imposes a surtax on certain interest income. Any person or organization who conducts a trade or business subject to Federal Regulation Z, and who charges interest on the credit issued is subject to the surtax. A transferee or assignee of a transaction is also subject to the tax. The rate is 30 percent of any income attributable to interest collected from the portion of an annual percentage rate that exceeds 15 percent on these transactions.

- 4 Liquor gross receipts tax.** Increases the rate on the retail gross receipt tax on the sales of alcoholic beverages from 2.5 percent to 5 percent.

**Effective date:** July 1, 2009

- 5 Alcoholic beverage excise tax rates.** Increases the rates under the alcohol beverage excise rates by the amounts shown in the table. These increases approximate 2 cents per drink for wine and cider and 3 cents for distilled spirits.

| Beverage type               | Present law  | Proposed tax | Increase    |
|-----------------------------|--------------|--------------|-------------|
| Distilled spirits           | \$1.33/liter | \$2.01/liter | \$.68/liter |
| Wine $\leq$ 14% alcohol     | \$.08/liter  | \$.22/liter  | \$.14/liter |
| Wine $>$ 14% and $\leq$ 21% | \$.25/liter  | \$.39/liter  | \$.14/liter |
| Wine $>$ 21% and $\leq$ 24% | \$.48/liter  | \$.62/liter  | \$.14/liter |
| Wine $>$ 24%                | \$.93/liter  | \$1.07/liter | \$.14/liter |
| Sparkling wine              | \$.48/liter  | \$.62/liter  | \$.14/liter |
| Cider                       | \$.04/liter  | \$.18/liter  | \$.14/liter |

- 6 Beer tax.** Increases the rate of the beer tax, as shown in the table. These increases approximate 2 cents per drink.

| Beverage type            | Present law   | Proposed tax   | Increase      |
|--------------------------|---------------|----------------|---------------|
| Beer $\leq$ 3.2% alcohol | \$2.40/barrel | \$9.01/barrel  | \$6.61/barrel |
| Beer $>$ 3.2% alcohol    | \$4.60/barrel | \$11.21/barrel | \$6.61/barrel |

This section also proportionately increases the dollar amounts of the brewers' credit to reflect the higher tax rates.

- 7 General fund accounts; FY 2010-2013.** Establishes accounts for K-12 education, nursing home and long-term care, and hospitals in the general fund. The accounts expire after the fiscal year 2010-2011 biennium.

- 8 Transfer.** Transfers \$986 million in the FY 2010-2011 biennium and \$1 billion in the FY 2012-2013 biennium to the accounts established in section 7.

In the FY 2010-2011 biennium, \$585,784,000 is transferred to the K-12 education account, \$287,566,000 to the nursing home and long-term care account, and \$114,130,000 to the hospital account.

In the FY 2012-2013 biennium, \$465,259,000 is transferred to the K-12 education account, \$361,643,000 to the nursing home and long-term care account, and \$173,978,000 to the hospital account.

- 9 Appropriations.** Appropriates \$4,660,000 to the commissioner of revenue for tax compliance and debt collection initiatives. Specifies that these initiatives are anticipated to result in an additional \$18,640,000 in general fund revenues in the fiscal year 2010-2011 biennium.

