

State of Minnesota

H. F. No. 1822

2.1 (3) two members appointed by the minority leader of the senate, one member of the
2.2 senate and one from private life;

2.3 (4) four members appointed by the speaker of the house, two members of the house
2.4 of representatives and two from private life; and

2.5 (5) two members appointed by the minority leader of the house of representatives,
2.6 one member of the house of representatives and one from private life.

2.7 (b) The appointing authority shall select members who are of recognized standing
2.8 and distinction and who possess demonstrated capacity to discharge the duties of the
2.9 commission. In making appointments, the appointing authorities shall attempt to appoint
2.10 some individuals to the commission who have special experience or knowledge in
2.11 taxation, economics, and accounting.

2.12 (c) The speaker of the house and majority leader of the senate shall each designate a
2.13 member of the commission as a chair of the commission. The cochairs shall determine the
2.14 duties of the commission and supervise its staff.

2.15 (d) The appointing authorities shall appoint members of the commission no later
2.16 than 14 days after enactment of this section. Members serve for the life of the commission.
2.17 A vacancy in the commission membership does not affect the power of the remaining
2.18 members to execute the duties of the commission. A vacancy in commission membership
2.19 is filled in the same manner in which the original appointment was made.

2.20 (e) The commission shall hold its initial meeting no later than 60 days after
2.21 enactment of this section.

2.22 Subd. 3. **Duties; report.** (a) The commission shall study and evaluate the Minnesota
2.23 state and local tax and revenue system with a goal of making long-term improvements in
2.24 the system for the citizens of the state, given standard principles of good tax policy and
2.25 the background of expected demographic and economic changes in the state, nation, and
2.26 world. The commission must specifically address ways to make the Minnesota state tax
2.27 and revenue system more effective in encouraging business formation, retention, and
2.28 expansion in the state, as well as increasing general capital investment in the state. The
2.29 commission's recommendations must be done on a revenue neutral basis. The commission
2.30 shall examine:

2.31 (1) the mix of state revenues between tax revenues and fees and charges for services
2.32 used or benefits received;

2.33 (2) the implications of likely demographic and economic changes, affecting both (i)
2.34 the demands for state and local government services and (ii) taxes and other revenues; and

2.35 (3) the extent to which the existing tax system and the commission's proposal satisfy
2.36 the following basic tax policy principles:

(i) equity or fairness, including measures based on ability to pay, equal treatment of equals, and payment for benefits received;

(ii) neutrality or efficiency, the extent to which the effects on private market decisions are minimized;

(iii) revenue adequacy, the extent to which the revenues are stable and predictable and grow with increases in income or economic activity;

(iv) competitiveness, the extent to which the state's attractiveness as a location for investment, working, and living is increased;

(v) simplicity, the extent to which it is easy to understand;

(vi) ease of compliance and administration, the extent to which taxpayers can easily comply and the government can easily administer it; and

(vii) visibility or accountability, the extent to which the taxes or other charges are clear and apparent to their payers as a cost of government and that the government officials imposing the tax are accountable, through election or otherwise, to the principal payers of the tax.

(b) The commission shall report to the legislature no later than July 1, 2013. The report must include:

(1) the results of the commission's evaluation of the present tax and revenue system and its research on alternatives;

(2) recommendations for reform and improvement of the Minnesota state and local tax and revenue system, on a revenue neutral basis, along with the rationale for the proposed changes; and

(3) a draft bill implementing the commission's recommendation for introduction in the 2014 legislative session.

Subd. 4. Per diem and expenses. Members of the commission may be compensated and receive reimbursement for expenses, as provided for members of advisory councils under Minnesota Statutes, section 15.059, subdivision 3. This subdivision does not apply to members of the legislature or state employees.

Subd. 5. Staff. The commission may employ staff as it deems appropriate to carry out its duties or use existing legislative and executive branch staff. All staff are in the unclassified state service. Legislative staff and the Department of Revenue staff must provide research, bill drafting, and other services to the commission upon its request. The commission may contract with consultants for research and other services and enter other contracts as it deems necessary or appropriate to carry out its duties. These contracts are not subject to the requirements of Minnesota Statutes, chapter 16C.

4.1 Subd. 6. **Appropriations.** \$..... is appropriated from the general fund to the
4.2 commission for fiscal years 2012 and 2013 to carry out the provisions of this section.

4.3 Subd. 7. **Expiration.** The commission terminates 30 days after transmitting its
4.4 report to the legislature under subdivision 3, paragraph (b).

4.5 **EFFECTIVE DATE.** This section is effective the day after final enactment.