A bill for an act
relating to taxes; providing and applying definitions of "tax expenditure" and "tax relief"; amending Minnesota Statutes 2010, section 270C.11.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 270C.11, is amended to read:

270C.11 TAX RELIEF AND EXPENDITURE ~~BUDGET~~ REPORT.

Subdivision 1. **Statement of purpose.** ~~State governmental policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of~~ Special and selective tax relief ~~or~~ and tax expenditures~~. Both Direct expenditures of governmental funds and tax expenditures have an effect on the ability of the state and local governments to lower tax rates or to increase expenditures. As a result, tax expenditures~~ should receive a regular and comprehensive review by the legislature as to (1) their total ~~cost~~ amount, (2) their effectiveness in achieving their objectives, (3) their effect on the fairness and equity of the distribution of the tax burden, and (4) the public and private sector cost of administering tax relief and tax ~~expenditure financed programs~~ expenditures. This section is intended to facilitate a regular review of ~~the~~ state and local tax relief and tax ~~expenditure budget~~ expenditures by the legislature by providing for the preparation of a regular biennial tax relief and tax expenditure ~~budget~~ report.

Subd. 2. **Preparation; submission.** The commissioner shall prepare a tax relief and tax expenditure ~~budget~~ report for the state. The tax relief and tax expenditure ~~budget~~ report shall be submitted to the legislature by February 1 of each even-numbered year.

Subd. 3. **Period covered.** The report shall include estimates of annual tax relief and tax expenditures for, at a minimum, a three-year period including the two-year period covered in the governor's budget submitted in the preceding January pursuant to section 16A.11.

Subd. 4. **Contents.** The report shall detail for each tax relief and tax expenditure item the amount of tax revenue forgone, a citation of the statutory or other legal authority for the relief or expenditure, and the year in which it was enacted or the tax year in which it became effective. The report may contain additional information which the commissioner considers relevant to the legislature's consideration and review of individual tax relief and tax expenditure items. This may include, but is not limited to, statements of the intended purpose of the tax relief or tax expenditure, analysis of whether the expenditure is achieving that objective, and the effect of the relief or expenditure device on the distribution of the tax burden and administration of the tax system.

Subd. 5. **Revenue estimates; legislative bills.** Upon reasonable notice from the chair of the house of representatives or senate tax committee that a bill is scheduled for hearing, the commissioner shall prepare an estimate of the effect on the state's tax revenues which would result from the passage of a legislative bill establishing, extending, or restricting a tax relief or a tax expenditure item. These revenue estimates shall contain the same information as provided in subdivision 4 for relief and expenditure items contained in the tax relief and tax expenditure ~~budget~~ report, as appropriate.

Subd. 6. **Definitions.** For purposes of this section, the following terms have the meanings given:

(1) "tax ~~expenditure~~ relief" means a nonrefundable tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue; ~~and~~

(2) "tax expenditure" means a refundable tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in a refund in excess of tax liability to the claimant; and

~~(2)~~ (3) "tax" means any tax of statewide application or any tax authorized by state law to be levied by local governments generally. It does not include a special local tax levied pursuant to special law or to a special local tax levied pursuant to general authority that is no longer applicable to local governments generally.

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