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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **251**

January 22, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; establishing a state tax reform action commission;
1.3 authorizing appointment to the commission; directing preparation of a report to
1.4 the legislature; appropriating money.

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

1.6 Section 1. **FINDINGS.**

1.7 The legislature finds that Minnesota's state and local tax system is flawed and not
1.8 well adapted to the changing nature of the economy and the demographics of the state
1.9 and must be reformed so that it is:

- 1.10 (1) simple and transparent;
- 1.11 (2) fair and equitable to all Minnesotans; and
- 1.12 (3) neutral and efficient.

1.13 Sec. 2. **TAX REFORM COMMISSION.**

1.14 Subdivision 1. **Commission established.** A tax reform action commission is
1.15 established in the legislative branch to study the Minnesota tax and revenue system and to
1.16 make recommendations to the legislature.

1.17 Subd. 2. **Membership.** (a) The commission consists of 15 members, appointed
1.18 as follows:

- 1.19 (1) three members appointed by the governor, two from the executive branch and
1.20 one from private life;
- 1.21 (2) four members appointed by the majority leader of the senate, two members of the
1.22 senate and two from private life;

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 of representatives, two
2.4 members of the house 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 governor shall designate a member of the commission as its chair who shall
2.13 determine its duties and supervise its staff.

2.14 (d) The appointing authorities shall appoint members of the commission not more
2.15 than 30 days after enactment of this section. Members serve for the life of the commission.
2.16 A vacancy in the commission membership does not affect the power of the remaining
2.17 members to execute the duties of the commission. A vacancy in commission membership
2.18 is filled in the same manner in which the original appointment was made.

2.19 Subd. 3. **Duties; report.** (a) The commission shall study and evaluate the Minnesota
2.20 state and local tax and revenue system with a goal of making long-term improvements in
2.21 the system for the citizens of the state, given standard principles of good tax policy and
2.22 the background of expected demographic and economic changes in the state, nation, and
2.23 world. The commission's recommendations must be done on a revenue neutral basis. In
2.24 particular, the commission shall examine:

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

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

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

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

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

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

3.1 (iv) competitiveness, the extent to which negative effects on the state's attractiveness
3.2 as a location for investment, working, and living are minimized;

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

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

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

3.10 (b) The commission shall report to the legislature no later than July 1, 2009. The
3.11 report must include:

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

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

3.17 (3) a draft bill implementing the commission's recommendation for introduction
3.18 in the 2010 legislative session.

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

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

3.30 Subd. 6. **Appropriation.** \$..... is appropriated from the general fund for fiscal
3.31 years 2008 and 2009 to carry out the provisions of this section.

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

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