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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. 1923

March 12, 2007

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

1.1 A bill for an act  
1.2 relating to taxation; providing for a study of the effect of demographic change in  
1.3 state tax revenues; appropriating money.

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

1.5 Section 1. **STUDY; DEMOGRAPHIC CHANGE AND STATE TAX REVENUES.**

1.6 (a) The commissioners of finance and revenue shall jointly prepare a study of the  
1.7 effect of expected demographic changes over the next 25 years on the tax bases and  
1.8 revenues of the individual income tax and general sales tax. In preparing this study, the  
1.9 commissioners shall consult with and use the state demographer to estimate the changing  
1.10 profile of the Minnesota population by age and other factors relevant to the tax bases and  
1.11 revenues of the two taxes. The commissioners may contract with appropriate outside  
1.12 experts to forecast or estimate the effects of these demographic changes on the amount  
1.13 and type of economic activity in the state over the period that would affect the bases and  
1.14 revenues of the two taxes.

1.15 (b) The study must include estimates for the years 2012, 2017, 2022, 2027, and  
1.16 2032. The study must analyze the sensitivity of the results for changes in estimated  
1.17 migration rates, labor force participation by older individuals, and the shares of capital  
1.18 versus labor income. The principal purpose of the study is to help the legislature assess  
1.19 the relationship between the current structure of the tax bases and projected demographic  
1.20 changes and the effect on the revenue adequacy of the taxes. The commissioners may  
1.21 make policy recommendations regarding changes in the structure of the taxes that would  
1.22 preserve the current relationship between individual income and state tax revenues and  
1.23 consumption and state tax revenues.

2.1 (c) The commissioners shall present preliminary results to the legislature on the  
 2.2 individual income tax by February 1, 2008, and a final written report on both taxes must  
 2.3 be provided to the legislature, in compliance with Minnesota Statutes, sections 3.195  
 2.4 and 3.197, by January 15, 2009.

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

2.6 **Sec. 2. APPROPRIATION; TAX STUDY.**

2.7 \$..... for fiscal year 2008 and \$..... for fiscal year 2009 are appropriated to the  
 2.8 commissioner of finance from the general fund for the purposes of the study required by  
 2.9 section 1. The commissioner of finance shall make available as much of the appropriation  
 2.10 as the commissioner determines appropriate to the commissioner of revenue to pay for the  
 2.11 Department of Revenue's costs of the study and to the commissioner of administration  
 2.12 to pay for the state demographer's costs.