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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **2360**

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

A bill for an act

relating to state finance; establishing a tax volatility reduction account; directing the commissioner of finance to adjust amounts in the account based on forecasts of state revenue gains and losses due to changes in taxpayer behavior in anticipation of changes of federal income tax rates on capital gains income; amending Minnesota Statutes 2006, section 16A.152, by adding a subdivision.

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

Section 1. Minnesota Statutes 2006, section 16A.152, is amended by adding a subdivision to read:

Subd. 8. Tax volatility reduction account. (a) A tax volatility reduction account is created in the general fund.

(b) Beginning with the November 2007 economic forecast and for each subsequent economic forecast, the commissioner of finance, in consultation with the commissioner of revenue, shall estimate the revenue gain or loss anticipated for the current biennium and the next biennium, as a result of changes in taxpayer behavior in anticipation of (1) the sunset of favorable federal income tax rates for capital gains income under Public Law 108-27; (2) the extension of the sunset referenced in (1); or (3) any other federal law that changes federal income tax rates for capital gains income.

(c) If the commissioner estimates a revenue gain under paragraph (b) for the current biennium, and if the amount of gain estimated for the current biennium is more than the amount forecast to be in the tax volatility reduction account at the close of the current biennium, then the difference is transferred to the tax volatility reduction account.

(d) If the commissioner estimates a revenue gain under paragraph (b) for the current biennium, and if the amount of gain estimated for the current biennium is less than the amount forecast to be in the tax volatility reduction account at the close of the current

2.1 biennium, then the difference is transferred from the tax volatility reduction account
2.2 to the general fund.

2.3 (e) If the commissioner estimates a revenue loss under paragraph (b) in the current
2.4 biennium, then the amount adequate to offset the loss, to the extent it is available, is
2.5 transferred from the tax volatility reduction account to the general fund.

2.6 (f) If the commissioner estimates a revenue gain for the next biennium under
2.7 paragraph (b), and if the amount of gain estimated for the next biennium is more than
2.8 the amount forecast to be in the tax volatility reduction account at the close of the next
2.9 biennium, then the difference is transferred to the tax volatility reduction account on
2.10 the first day of the next biennium.

2.11 (g) If the commissioner estimates a revenue gain for the next biennium under
2.12 paragraph (b), and if the amount of gain estimated for the next biennium is less than
2.13 the amount forecast to be in the tax volatility reduction account at the close of the next
2.14 biennium, then the difference is transferred from the tax volatility reduction account to the
2.15 general fund on the first day of the next biennium.

2.16 (h) If the commissioner estimates a revenue loss under paragraph (a) in the next
2.17 biennium, then the amount adequate to offset the loss, to the extent it is available, is
2.18 transferred from the tax volatility reduction account to the general fund on the first day of
2.19 the next biennium.

2.20 (i) For purposes of this subdivision "economic forecast" means the economic
2.21 forecast prepared according to section 16A.103.

2.22 (j) On July 1, 2007, the commissioner of finance must allocate the portion of fiscal
2.23 years 2010 and 2011 revenues anticipated to result from changes in taxpayer behavior in
2.24 anticipation of the sunset of favorable federal income tax rates for capital gains income
2.25 under Public Law 108-27, estimated at \$327,000,000, to the tax volatility reduction
2.26 account for the fiscal year 2010-2011 biennium.

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