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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-FIFTH  
SESSION**

**HOUSE FILE No. 2362**

March 26, 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 sales and use tax; requiring the Department of Revenue to do a study  
1.3 of sales and use tax.

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

1.5 Section 1. **STUDY OF SALES AND USE TAX.**

1.6 (a) The commissioner of revenue shall study the current sales and use tax base  
1.7 in Minnesota and provide a written report and recommendations to the legislature, in  
1.8 compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 1, 2008.

1.9 The study must report on:

1.10 (1) the changes needed in the current sales tax base to move to a tax based solely on  
1.11 final consumption of all consumer goods and services, with no taxation of intermediate  
1.12 inputs to businesses;

1.13 (2) the estimated change in state revenues for each of the changes identified in  
1.14 clause (1), along with the sales tax rate change that would be needed to make the changes  
1.15 revenue-neutral;

1.16 (3) legal, administrative, and collection issues that would be associated with the  
1.17 changes identified in clause (1), including interaction with other existing state taxes;

1.18 (4) the effect of the changes identified in clause (1) on the incidence of the sales tax  
1.19 system and the overall state and local tax system;

1.20 (5) the effect of changes on efficiency and the competitiveness of Minnesota as a  
1.21 location for business and investment; and

1.22 (6) alternatives for rebating or refunding a portion of the tax to offset any increase  
1.23 in regressivity identified under clause (4).

1.24 (b) The study must make recommendations on:

2.1 (1) sales tax base expansions to move the state toward a system where the tax applies  
2.2 to the majority of final purchases of goods and services by consumers while minimizing  
2.3 administrative and collection issues;

2.4 (2) the sales tax rate change that would be needed to keep the sales tax system  
2.5 revenue neutral under clause (1); and

2.6 (3) sales tax base exemptions to minimize the state taxation of intermediate business  
2.7 inputs while minimizing administrative and collection issues.

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