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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. 2277

April 6, 2009

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

1.1 A bill for an act
1.2 relating to state finance; establishing a capital gains volatility reduction account;
1.3 directing the commissioner of finance to adjust amounts in the account based on
1.4 forecasts of individual income tax revenue resulting from taxation of capital
1.5 gains income in comparison to a five-year average; amending Minnesota Statutes
1.6 2008, section 16A.152, by adding a subdivision.

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

1.8 Section 1. Minnesota Statutes 2008, section 16A.152, is amended by adding a
1.9 subdivision to read:

1.10 Subd. 8. Capital gains volatility reduction account. (a) A capital gains volatility
1.11 reduction account is created in the general fund.

1.12 (b) Beginning with the November 2009 economic forecast and for each subsequent
1.13 economic forecast, the commissioner of finance, in consultation with the commissioner of
1.14 revenue, shall estimate:

1.15 (1) the percentage of individual income tax revenues resulting from taxation of
1.16 capital gains income for each fiscal year in the current biennium and the next biennium;

1.17 (2) the percentage of individual income tax revenues resulting from taxation of
1.18 capital gains income in each of the preceding five fiscal years; and

1.19 (3) the average percentage of individual income revenues resulting from taxation of
1.20 capital gains income over the preceding five fiscal years.

1.21 (c) If the commissioner estimates that the percentage of individual income tax
1.22 revenues resulting from taxation of capital gains income in any fiscal year in the current
1.23 biennium or the next biennium exceeds the average percentage over the preceding five
1.24 fiscal years, then the commissioner must transfer to the capital gains volatility account the
1.25 following amount, to the extent it is greater than \$5,000,000:

2.1 (1) the percentage of individual income tax revenues resulting from taxation of
2.2 capital gains income in the fiscal year, minus

2.3 (2) the average percentage of individual income revenues resulting from taxation of
2.4 capital gains income over the preceding five fiscal years, multiplied by

2.5 (3) individual income tax revenues in the fiscal year.

2.6 (d) If the commissioner estimates that the percentage of individual income tax
2.7 revenues resulting from taxation of capital gains income in any fiscal year in the current
2.8 biennium or the next biennium is less than the average percentage over the preceding five
2.9 fiscal years, then the commissioner must transfer from the capital gains volatility account
2.10 to the general fund the following amount, to the extent it is available and is greater than
2.11 \$5,000,000:

2.12 (1) the average percentage of individual income revenues resulting from taxation of
2.13 capital gains income over the preceding five fiscal years, minus

2.14 (2) the percentage of individual income tax revenues resulting from taxation of
2.15 capital gains income in the fiscal year, multiplied by

2.16 (3) individual income tax revenues in the fiscal year.

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