

6:30pm

House Offer for Total Revenue July 5, 2005

7 5 05

Relative to forecast

FY 2006-07
(\$1000s)

Total current year resources (Feb forecast) 29,711,216

Agreed-upon revenue increases

Withholding for nonres partnerships & S-corps	14,050
Lease vehicle upfront sales tax	38,670
Rental vehicles sales tax at 12.7%	18,590
State vendors must collect sales & use tax	3,410
Sales tax on pipelines (<i>updated estimate</i>)	20,830
Gross receipts tax on alcohol (2.5%)	83,950
Insurance tax on stop-loss policies	5,100
<u>Tax shelter compliance (<i>new language</i>)</u>	<u>56,800</u>
TOTAL agreed-upon increases	241,400

Agreed-upon revenue reductions

Military income (3 provisions)	(3,024)
Ready-to-eat meat and seafood (sales tax)	(1,120)
Certain solar energy systems (sales tax)	(90)
<u>Enacted in regular session bill</u>	<u>(65)</u>
TOTAL agreed-upon reductions	(4,299)

Agreed-upon provisions -- net revenue change 237,101

Other revenue changes

Cigarette sales tax at wholesale	10,350	
Federal conformity (House without HSAs, educator expenses, or married stand deduction)	19,085	
40 cent per pack tobacco fee	220,800	(eff 8/1/05)
<u>Transfer from Tax Relief Account</u>	<u>3,408</u>	
TOTAL items not yet agreed to	253,643	

Total net change in revenue -- tax bill 490,744

Enacted bills

Tax bill (regular session)	41,320	→ 532,064
State government	112,861	
Public safety	37,831	
Environment/Ag/Jobs	8,458	
<u>Child support bill (SF630)</u>	<u>1,678</u>	
TOTAL enacted bills	202,148	

Open bills

K-12 Education	0
Human Services	(249,000)
<u>Transportation</u>	<u>12,000</u>
TOTAL revenue from open bills (last offer)	(237,000)

Total net change in revenue ABOVE FORECAST 455,892

Total revenue 30,167,108

Increase above FY 2004-05 1,337,883

K-12 funding: Acknowledges Senate's July 1 offer of K-12 levies (\$139 million), property tax recognition shift (\$95 million) and school payment shift (\$79.759 million).

Tax bill spending: Not dealt with in this offer, which covers only revenue.

Total revenue as calculated on these sheets must fund:

1. Enacted bills' general fund spending
2. K-12 bill general fund spending
3. Human Services bill general fund spending
4. Transportation bill general fund spending
5. Tax bill general fund spending
- PLUS any tax bill provisions that reduce revenue and are not included in the calculations
6. Any other general fund spending (such as salary supplement or pensions)

	FY 2006-07 (\$1000s)	
Total current year resources (Feb forecast)	29,711,216	
Agreed-upon revenue increases		
Withholding for nonres partnerships & S-corps	14,050	
Lease vehicle upfront sales tax	38,670	
Rental vehicles sales tax at 12.7%	18,590	
State vendors must collect sales & use tax	3,410	
Sales tax on pipelines (updated estimate)	20,830	
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<u>Tax shelter compliance (new language)</u>	<u>56,800</u>	
TOTAL agreed-upon increases	241,400	
Agreed-upon revenue reductions		
Military income (3 provisions)	(3,024)	
Ready-to-eat meat and seafood (sales tax)	(1,120)	
<u>Certain solar energy systems (sales tax)</u>	<u>(90)</u>	
TOTAL agreed-upon reductions	(4,234)	
Agreed-upon provisions -- net revenue change	237,166	
Other revenue changes		
Cigarette sales tax at wholesale	12,190	
Federal conformity (exclude HSAs, educator expenses other in WFTRA, and married stand deduction)	20,765	
75 cent per pack tobacco fee	367,199	(eff 8/1/05)
Tobacco products tax to 90% (and floor stocks tax)	39,742	(eff 8/1/05)
FOC Senate proposed language	187,700	
State-wide property tax: C/I at 2002 tax rate	196,700	
Tax deferred wages (Benda)	4,100	
Disallow deduction for fines & fees	150	
Contractor withholding	4,000	
Sprint (sales tax on telecommunications equip)	3,060	
Tax event souvenir clothing (sales tax)	1,700	
Insurance premiums tax -- undo CUNA court case	330	
Organ donor income tax deduction	(209)	
K-12 credit repeal family cap	(450)	
Dairy investment credit	(2,900)	
RAIN credit	(10,000)	
Historic structures rehabilitation credit	(3,840)	
Federal conformity -- educator expenses deduction (and other items)	(4,050)	
Federal conformity -- disaster mitigation grants	(30)	
Transit pass credit	(1,400)	
Car sharing expense credit	(90)	
Geothermal equipment sales tax exemption	(2,000)	
Exempt pellet burning biomass stoves	(640)	
Exempt TV production inputs	(940)	
Exempt state & local efficient vehicles	(34)	
Exempt public safety radio	(3,050)	
Exempt commuter rail construction materials	(8,600)	
Other sales tax exemptions in original Senate bill	(3,208)	
Lower insurance premiums tax on life insurance to 1.5%	(11,700)	
Delay state property tax payment for seasonal rec	(925)	
International trade zone	(700)	
<u>Change in income tax due to property tax freeze & C/I property tax</u>	<u>(3,400)</u>	
TOTAL items not yet agreed to	779,470	(58,166)
Total net change in revenue -- tax bill	1,016,636	
Enacted bills		
Tax bill (regular session)	41,255	1,057,891
State government	112,861	
Public safety	37,831	
Environment/Ag/Jobs	8,458	
<u>Child support bill (SF630)</u>	<u>1,678</u>	
TOTAL enacted bills	202,083	
Open bills revenue		
K-12 Education	0	
Human Services	(25,000)	
<u>Transportation</u>	<u>12,000</u>	
TOTAL revenue from open bills (last offer)	(13,000)	
Total net change in revenue ABOVE FORECAST (incl enacted bills)	1,205,719	
Total revenue	30,916,935	
Increase above FY 2004-05	2,087,710	

K-12 funding: Offer includes K-12 levies (\$139 million), property tax recognition shift (\$95 million) and school payment shift (\$79.759 million).

Tax bill spending: Offer includes reductions in MV credit (\$35.3 million savings); and LGA increase of at least \$87 million. (Also fractional homesteads, which is already enacted)

GENERAL FUND (unless italicized)	Senate Original	Gov 5/20 Offer	Senate 6/24 Offer (incorporate 6/9 Offer Changes)	Senate TWG 7-5-05 Offer
1 OPEN BILLS				
2 Health and Human Services				
3 TANF Spending				
4 TANF Revenues				
5 TANF Net	0	0	0	
6 HCAF Spending	674	1,039	798	769
7 HCAF Revenues	5	275	5	5
8 HCAF Net	669	764	793	764
9 Human Services Spending	8,645	7,986	8,390	8,284
10 Human Services Revenues	-25	-273	-25	-25
11 Human Services GF Net	8,670	8,259	8,415	8,309
12 Combined HHS Net	9,339	9,023	9,208	9,073
13				
14 Education Spending	12,809	12,646	12,880	12,660
15				
16 Taxes - Spending	3,136	2,888	3,026	3,048
17 Taxes - Non-Tax Revenues	0	0	0	0
18 Taxes - Tax Revenues (incl. tax shelter compliance)	1,569	628	1,215	1,002
19 Taxes Net	1,567	2,260	1,812	2,046
20				
21 Env., Ag., ED Spending	683	683	683	683
22 Env., Ag., ED Non-Tax Revenue	33	33	33	33
23 Env., Ag., ED Tax Revenue	-25	-25	-25	-25
24 Env., Ag., Econ Dev Net	675	675	675	675
25				
26 Transportation Spending (includes transit gap of 51.2)	159	159	159	225
27 Transportation Non-Tax Revenue	17	12	17	12
28 Transportation Tax Revenue				
29 Transportation Net	142	147	142	213
30				
31 Miscellaneous Spending				
32 Pensions	42		42	6
33 Salary Supplement			21	21
34				
35 CLOSED BILLS				
36 Higher Education Spending	2,761	2,761	2,761	2,761
37				
38 Public Safety Spending	1,685	1,685	1,685	1,685
39 Public Safety Revenue	38	38	38	38
40 Public Safety Net	1,647	1,647	1,647	1,647
41				
42 State Government Spending	581	581	581	581
43 State Government Tax Revenue	113	113	113	113
44 State Government Net	468	468	468	468
45				
46 Miscellaneous Spending	4	4	4	4
47 Miscellaneous Revenues	2	2	2	2
48 Debt Service	781	781	781	781
49 Other Spending	54	54	54	54
50 Net for Completed Bills	5,715	5,715	5,714	5,715
51				
52 General Fund Spending	31,340	30,228	31,068	30,793
53 HCAF Spending	674	1,039	798	798
54 TANF Spending				
55				
56 General Fund Revenues				
57 Base Tax Revenues	29,711	29,711	29,711	29,711
58 Total Non-Tax Rev Change	87	-166	87	82
59 Total Tax Revenue Change	1,635	694	1,281	1,068
60 TOTAL REVENUES	31,433	30,239	31,078	30,861
61				
62 Change in Reserves	0	0		
63				
		Gov 5/20 Offer	Senate 6/24 Offer	Senate TWG Offer 7-1-05
Total All Source Revenues		30,473	31,078	31,001
Shift			95	46
Property Tax			139	94
Local Income Tax				
State Revenues		30,239	31,078	30,861

Senate TWG Offer Comparison

<u>Tax Revenue Gains</u>	7-2-05 Offer			7-5-05 Offer		
	FY 06	FY 07	FY 06-07	FY 06	FY 07	FY 06-07
Tax Deferred Wages on Non-Residents	2,000	2,100	4,100	2,000	2,100	4,100
Quarterly Withholding for NR partnerships and S	13,200	850	14,050	13,200	850	14,050
Contractor Withholding at 2%	2,000	2,000	4,000	2,000	2,000	4,000
American Job Creation Act	8,580	12,185	20,765	8,580	12,185	20,765
Corporate Loopholes	107,600	80,100	187,700	107,600	80,100	187,700
Fines, Fees	75	75	150	75	75	150
Upfront Payment on Leased Vehicles	18,921	19,749	38,670	18,921	19,749	38,670
Rental Vehicle Tax	4,790	13,800	18,590	4,790	13,800	18,590
Cigarettes at Wholesale						
Payment Shift	5,400	0	5,400	5,400	0	5,400
Compliance Impact	2,250	2,700	4,950	2,250	2,700	4,950
Cigarette Fee at 75 cents per pack (8-1-05 Effective Date)	178,879	188,320	367,199	178,879	188,320	367,199
Tobacco Products at 90% of Wholesale	19,318	20,424	39,742	19,318	20,424	39,742
Out of State Vendors	680	2,730	3,410	680	2,730	3,410
Gas Pipelines	9,110	11,720	20,830	9,110	11,720	20,830
Reverse Sprint Case	1,500	1,560	3,060	1,500	1,560	3,060
Event Souvenir Clothing	850	850	1,700	850	850	1,700
Alcoholic Beverages	23,650	60,300	83,950	23,650	60,300	83,950
Insurance Stop Loss	1,400	3,700	5,100	1,400	3,700	5,100
C/I Rate Change	63,200	133,500	196,700	32,034	67,666	99,700
Tax Shelter Compliance	0	56,800	56,800	0	56,800	56,800
CUNA	90	240	330	90	240	330
Total Revenue Gains--Gross	463,493	613,703	1,077,196	432,327	547,869	980,196
<u>Revenue Reductions</u>						
Organ Donation Expenses	(102)	(107)	(209)	0	0	0

Senate TWG Offer Comparison

	FY 06	FY 07	FY 06-07	FY 06	FY 07	FY 06-07
Exempt National Guard for MN Active Service	(42)	(42)	(84)	(42)	(42)	(84)
Subtraction for Active Duty Military Out of State	(960)	(970)	(1,930)	(960)	(970)	(1,930)
Military Family Tax Relief Act	(680)	(330)	(1,010)	(680)	(330)	(1,010)
K-12 Credit	0	(450)	(450)	0	0	0
Dairy Investment Credit	0	(2,900)	(2,900)	0	0	0
RAIN	0	(10,000)	(10,000)	0	0	0
10% Credit for Historic Structures	(1,640)	(2,200)	(3,840)	0	0	0
Working Families Tax Relief Act --						
Teacher Expenses and other small--no HAS	(3,980)	(70)	(4,050)	(3,980)	(70)	(4,050)
Exempt Disaster Mitigation Grants	0	(30)	(30)	0	(30)	(30)
Change in Income Tax Revenue due to C/I Rate and Freeze	0	(3,400)	(3,400)	0	(3,400)	(3,400)
Transit Pass Refunds	(300)	(1,100)	(1,400)	0	0	0
Car Sharing Credit	0	(90)	(90)	0	0	0
Exemption for Ready to Eat Meat/Seafood	(325)	(795)	(1,120)	(325)	(795)	(1,120)
Exempt Certain Solar Energy	(40)	(50)	(90)	(40)	(50)	(90)
Exempt Geothermal	(950)	(1,050)	(2,000)	0	0	0
Exempt Pellet Burning Stoves	(300)	(340)	(640)	0	0	0
Exempt TV and Movie Inputs	(450)	(490)	(940)	0	0	0
Exempt Govt. Fuel Efficient Vehicles	(16)	(18)	(34)	0	0	0
Public Safety Radio	(1,540)	(1,510)	(3,050)	(1,540)	(1,510)	(3,050)
Commuter Rail Diesel Fuel Exemption	(20)	0	(20)	(20)	0	(20)
Catholic Charities Food Exemption	(58)	(8)	(66)	(58)	(8)	(66)
Commuter Rail Diesel Fuel Exemption	0	(945)	(945)	0	(945)	(945)
Waste Recovery Facilities:						
Olmstead County	0	(745)	(745)	0	(745)	(745)
Red Wing	0	(70)	(70)	0	(70)	(70)
Minneapolis	(70)	(190)	(260)	(70)	(190)	(260)
Turkey Litter	(800)	0	(800)	(800)	0	(800)

	FY 06	FY 07	FY 06-07	FY 06	FY 07	FY 06-07
Laurentian Energy Biomass	(134)	(300)	(434)	(134)	(300)	(434)
Thief River Falls Arena	(350)	0	(350)	(350)	0	(350)
St. Mary's Duluth	(138)	0	(138)	0	0	0
Crown Hydro	(145)	(20)	(165)	(145)	(20)	(165)
Chatfield	(160)	0	(160)	(160)	0	(160)
Delay 1st Half Seasonal Rec. Payment	(900)	(25)	(925)	(900)	(25)	(925)
Insurance Premiums to 1.5%	(3,300)	(8,400)	(11,700)	0	0	0
Cargo Bill (cost incurred beginning FY 08)	0	0	0	0	0	0
Total Revenue Reductions	(17,400)	(36,645)	(54,045)	(10,204)	(9,500)	(19,704)
<u>Net Revenues:</u>						
(Gross Revenue - Reductions)	446,093	577,058	1,023,151	422,123	538,369	960,492
Streamlines Sales Tax	9,800	31,520	41,320	9,800	31,520	41,320
Great River School Abatement	(15)	0	(15)	(15)	0	(15)
Change in Liquor Tax Payment Dates	(25)	0	(25)	(25)	0	(25)
Change in Fur Tax Payments	(25)	0	(25)	(25)	0	(25)
<u>Total Change Enacted Bills</u>	<u>9,735</u>	<u>31,520</u>	<u>41,255</u>	<u>9,735</u>	<u>31,520</u>	<u>41,255</u>
Net Revenues + Changes from Enacted Bills	455,828	608,578	1,064,406	431,858	569,889	1,001,747
<u>Expenditure Changes</u>						
Pension Set Aside				3	3	6
Salary Supplement				10,500	10,500	21,000
Transit Set Aside				33,000	33,000	66,000
Cargo Grants				0	3,000	3,000
LMV for Small Resorts	0	120	120	0	120	120
1c Resorts	0	31	31	0	31	31
LMV at 2005 Level	0	29	29	0	29	29

Senate TWG Offer Comparison

7-5-05

	FY 06	FY 07	FY 06-07	FY 06	FY 07	FY 06-07
LGA	0	86,000	86,000	0	86,000	86,000
County Chemical Dependency	1,287	1,933	3,220	1,287	1,933	3,220
Market Value Credit Reimbursement	(17,800)	(17,500)	(35,300)	0	0	0
Taxpayer Assistance Grants (to be in base)	125	125	250	125	125	250
PILT	0	295	295	0	295	295
Total Expenditure Changes	(16,388)	71,033	54,645	44,915	135,036	179,951
Expenditure Changes in Enacted Bills:						
Sauk Watershed Levy	0	7	7	0	7	7
Met Council Bus Bonds	0	0	0	0	0	0
Senior Deferral Special Assessments	0	19	19	0	19	19
MVC for Fractional Homesteads Change	0	(500)	(500)	0	(500)	(500)
County Court Aid Transfer	66	133	199	66	133	199
Reduce District Court Base Budget	(66)	(133)	(199)	(66)	(133)	(199)
Total Enacted Expenditure Changes	0	(474)	(474)	0	(474)	(474)
Total Expenditure Changes				44,915	134,562	179,477
Balance				386,943	435,327	822,270

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10:30 p.m.
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FY 2006-07

(\$1000s)

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Rental vehicles sales tax at 12.7%	18,590
State vendors must collect sales & use tax	3,410
Sales tax on pipelines (<i>updated estimate</i>)	20,830
Gross receipts tax on alcohol (2.5%)	83,950
Insurance tax on stop-loss policies	5,100
<u>Tax shelter compliance (<i>new language</i>)</u>	<u>56,800</u>
TOTAL agreed-upon increases	241,400

Agreed-upon revenue reductions

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Ready-to-eat meat and seafood (sales tax)	(1,120)
<u>Certain solar energy systems (sales tax)</u>	<u>(90)</u>
TOTAL agreed-upon reductions	(4,234)

Agreed-upon provisions -- net revenue change 237,166

Other revenue changes

Cigarette sales tax at wholesale	10,350	
Federal conformity (House without HSAs, educator expenses, or married stand deduction)	19,085	
20 cent per pack tobacco fee	114,000	(eff 8/1/05)
Transfer from Tax Relief Account	3,408	
Racino	210,000	
Federal conformity (Married joint standard deduction)	(65,200)	
Federal conformity (HSAs)	(8,200)	
<u>Premiums tax on life insurance to 1.5% eff. 1/1/06</u>	<u>(11,700)</u>	
TOTAL items not yet agreed to	271,743	

Total net change in revenue -- tax bill 508,909

Enacted bills

Tax bill (regular session)	41,255	550,164
State government	112,861	
Public safety	37,831	
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Child support bill (SF630)	1,678	
TOTAL enacted bills	202,083	

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<u>Transportation</u>	<u>12,000</u>
TOTAL revenue from open bills (last offer)	(237,000)

Total net change in revenue ABOVE FORECAST 473,992

Total revenue 30,185,208

Increase above FY 2004-05 1,355,983

Total revenue as calculated on these sheets must fund:

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2. K-12 bill general fund spending
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5. Tax bill general fund spending
- PLUS any tax bill provisions that reduce revenue and are not included in the calculations
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Contractor withholding	4,000	
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Insurance premiums tax -- undo CUNA court case	330	
Organ donor income tax deduction	0	
K-12 credit repeal family cap	0	
Dairy investment credit	0	
RAIN credit	0	
Historic structures rehabilitation credit	0	
Federal conformity -- educator expenses deduction (and other items)	(4,050)	
Federal conformity -- disaster mitigation grants	(30)	
Transit pass credit	0	
Car sharing expense credit	0	
Geothermal equipment sales tax exemption	0	(15,470)
Exempt pellet burning biomass stoves	0	
Exempt TV production inputs	0	
Exempt state & local efficient vehicles	0	
Exempt public safety radio	(3,050)	
Exempt commuter rail construction materials	(945)	(new estimate)
Other sales tax exemptions in original Senate bill	(3,070)	
Lower insurance premiums tax on life insurance to 1.5%	0	
Delay state property tax payment for seasonal rec	(925)	
International trade zone	0	
<u>Change in income tax due to property tax freeze & C/I property tax</u>	<u>(3,400)</u>	
TOTAL items not yet agreed to	723,326	
Total net change in revenue -- tax bill	960,492	
Enacted bills		
Tax bill (regular session)	41,255	1,001,747
State government	112,861	
Public safety	37,831	
Environment/Ag/Jobs	8,458	
Child support bill (SF630)	1,678	
TOTAL enacted bills	202,083	
Open bills revenue		
K-12 Education	0	
Human Services	(25,000)	
Transportation	12,000	
TOTAL revenue from open bills (last offer)	(13,000)	
Total net change in revenue ABOVE FORECAST (incl enacted bills)	1,149,575	
Total revenue	30,860,791	
Increase above FY 2004-05	2,031,566	

K-12 funding: Offer includes K-12 levies (\$94 million), property tax recognition shift (\$46 million), and school payment shift (\$79.759 million)