

Special Taxes Division

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990231 February 8, 1999

*The Honorable Dennis Ozment, Chair
House of Representatives Committee on Environment & Natural Resources Policy*

*The Honorable Mark Holsten, Chair
House of Representatives Environment & Natural Resources Finance Division*

*The Honorable Bob Lessard, Chair
Senate Committee on Environment & Natural Resources*

*The Honorable Steve Morse, Chair
Senate Environment and Agriculture Budget Division*

*The Honorable Ron Abrams, Chair
House of Representatives Committee on Taxes*

*The Honorable Doug J. Johnson, Chair
Senate Committee on Taxes and Tax Laws*

*Acting Commissioner Lisa Thorvig, Minnesota Pollution Control Agency
Art Dunn, Director of Office of Environmental Assistance*

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Dear Senators, Representatives, Ms. Thorvig, Mr. Dunn:

We are pleased to transmit to you the third of three reports on the Solid Waste Management Tax (SWMT) revenues received by the Minnesota Department of Revenue. This report is required under Minnesota Statutes 297H.13, Subdivision 5, and provides information on SWMT revenues for September 1, 1998, through December 31, 1998.

In addition, and as a convenience to you, this report repeats the totals for the first and second periods, and gives a grand total for all three periods. The grand total for SWMT received and distributed from January through December 1998 is \$40.3 million.

This report, as with the first and second reports, also shows the revenue for the Solid Waste Generator Assessment (SWGA) and the Sales & Use Tax on waste management services (SCORE). We provide this data because while SWGA & SCORE were replaced by the SWMT, they will continue to be remitted or assessed on a decreasing basis.

Once revenue figures are available, we will provide supplemental data showing the revenue received in January 1999 from what service providers collected in or before December 1998 and giving you a 12 month picture of Solid Waste Management Tax revenues for the first year.

Sincerely,
Susan E. Barry
Susan E. Barry,
Assistant Director, Special Taxes Division
Enclosure; cc's
An equal opportunity employer

Minn. Stat. 297H.13 Subd. 5

1997 Minn. Laws Chap. 231
Art. 13 Sec. 18 Subd. 5

cc:

Marilyn Brick, Committee Administrator, House Committee on Environment & Natural Resources Policy;
Matt Massman, Legislative Fiscal Analyst, House of Representatives;
Peter Skwra, Legislative Fiscal Analyst, House of Representatives;
Geno Fragnito, Committee Administrator, Senate Committee on Environment & Natural Resources;
Stephen Ernest, Legislative Fiscal Analyst, Senate;
Ryan Bronson, Committee Administrator, Environment & Natural Resources, House of Representatives;
Karen Baker, House of Representatives Research Department;
Keith Carlson, Director of Tax Analysis, Senate Committee on Taxes & Tax Laws;
Myrna Halbach, President, County Solid Waste Officers Association
Tom Osdoba, **Tricia Conroy**, and **Bob Meier**, Office of Environmental Assistance;
Beth Aschinger, **Cathy Moeger**, **James Chiles**, and **Douglas Day**, Minnesota Pollution Control Agency;
George Hoyum, Director, Special Taxes Division, Department of Revenue;
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Don Trimble, Assistant Commissioner, Department of Revenue
Jack Mansun, Assistant to the Commissioner, Department of Revenue
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SOLID WASTE MANAGEMENT TAX

RECEIPTS



THIRD PERIOD

SEPTEMBER 1, 1998 — DECEMBER 31, 1998

SOLID WASTE MANAGEMENT TAX RECEIPTS
THIRD PERIOD: SEPTEMBER 1, 1998 — DECEMBER 31, 1998

This is the third of three-reports on the receipts from the solid waste management tax (SWMT), as required by Minnesota Statute 1997, Section 297H.13, Subdivision 5. The table on Page 3 shows the SWMT figures for the period September 1, 1998, through December 31, 1998.

Along with the SWMT amounts, we have also included the following for your convenience:

- *Receipts, adjustments, and assessments for the period September 1, 1998, through December 31, 1998, from both the SCORE tax and the SWGA for waste management services received prior to January 1, 1998, and*
- *A table giving*
 - ⇒ *The total receipts for all three periods: January 1, 1998, through April 30, 1998; May 1, 1998, through August 31, 1998; and September 1, 1998, through December 31, 1998; for the SWMT, SCORE tax & SWGA.*
 - ⇒ *Total amounts distributed for the three periods for SWMT, SCORE tax, & SWGA.*
- *Repeat of the appendix from the first report, giving information regarding the enactment of Chapter 297H, solid waste management tax, the requirement of three reports, an overview of the solid waste management tax, an explanation of the solid waste lines on the ST-1 return, the history of solid waste taxes, and the use of revenues.*

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SOLID WASTE MANAGEMENT TAX RECEIPTS
THIRD PERIOD: SEPTEMBER 1, 1998 — DECEMBER 31, 1998

Solid Waste Management Tax Receipts; Third Period*

<i>Line on ST-1</i>	<i>September 1998</i>	<i>October 1998</i>	<i>November 1998</i>	<i>December 1998</i>	<i>TOTAL</i>
Line 102 Residential; 9.75%	1,588,926	2,267,450	1,500,176	1,573,187	\$6,929,739
Line 103 Commercial MMSW; 17%	2,075,854	3,192,703	1,757,885	1,941,510	\$8,967,952
Line 104 Commercial Non-MMSW; \$0.60/ cubic yd	229,017	316,275	177,722	99,572	\$822,586
TOTAL	3,893,797	5,776,428	3,435,783	3,614,269	\$ 16,720,277

* Each month's figures consists of (1) amounts listed on Lines 102, 103, and 104 of the Sales Tax Return, ST-1, received in that month (for example, the September return is normally remitted/received in October), (2) solid waste management tax assessments made in that month, and (3) adjustments made in that month (for example, a taxpayer remitted on line 100 instead of line 102 on their August 1998 return--we adjust the lines in October 1998 and the adjustment is reflected in the October 1998 figures).

SOLID WASTE MANAGEMENT TAX RECEIPTS
THIRD PERIOD: SEPTEMBER 1, 1998 — DECEMBER 31, 1998

SCORE & SWGA Receipts; Third Period**

<i>Line on ST-1</i>	<i>September 1998</i>	<i>October 1998</i>	<i>November 1998</i>	<i>December 1998</i>	<i>TOTAL</i>
Line 105 SCORE; 6.5%	(\$20,572)	\$11,380	\$68,434	\$3,524	\$ 62,766
Line 106 SWGA Residential; (\$2.00 annual)	(\$705)	\$43,954	\$(307)	\$(44,246)	(\$ 1,304)
Line 107 SWGA Residential; \$0.03/ bag	\$14	\$3,103	7	\$245	\$ 3,369
Line 108 SWGA Nonresidential; \$0.60/ cubic yd	\$134,550	\$300,103	\$273,976	\$116,978	\$ 825,607
TOTAL	\$ 110,767	\$ 346,022	\$ 344,985	\$ 61,309	\$ 890,438

** As with the report on Solid Waste Management Tax Receipts, these monthly figures represent tax returns received, and assessments and adjustments made in that month.

SOLID WASTE MANAGEMENT TAX RECEIPTS
THIRD PERIOD: SEPTEMBER 1, 1998 — DECEMBER 31, 1998

1998 SWMT, SCORE, & SWGA Receipt Totals:

<i>SWMT: Lines on ST-1</i>	<i>1/1/98 - 4/30/98</i>	<i>5/1/98 - 8/31/98</i>	<i>9/1/98 - 12/31/98</i>	<i>Total @ SWMT Line</i>
Line 102-- Residential; 9.75%	\$4,272,544	\$5,762,337	\$6,929,739	\$16,964,620
Line 103-- Commercial MSW; 17%	\$5,538,234	\$6,904,566	\$8,967,952	\$ 21,410,752
Line 104 Commercial Non-MMSW; \$0.60/ cubic yd	\$501,194	\$633,895	\$822,586	\$ 1,957,675
TOTAL SWMT:	\$10,311,972	\$13,300,798	\$ 16,720,277	\$ 40,333,047

<i>SCORE & SWGA: Lines on ST-1</i>	<i>1/1/98 - 4/30/98</i>	<i>5/1/98 - 8/31/98</i>	<i>9/1/98 - 12/31/98</i>	<i>Total @ SWGA or SCORE line</i>
Line 105 SCORE; 6.5%	\$3,333,287	\$199,201	\$ 62,766	\$ 3,595,254
Line 106 SWGA Residential; (\$2.00 annual)	\$59,915	\$24,696	(\$ 1,304)	\$ 83,307
Line 107 SWGA Residential; \$0.03/ bag	\$3,736	\$465	\$ 3,369	\$ 7,570
Line 108 SWGA Nonresidential; \$0.60/ cubic yd	\$3,030,486	\$684,361	\$ 825,607	\$ 4,540,454
TOTAL SCORE & SWGA	\$6,427,424	\$908,723	\$ 890,438	\$ 8,226,585

<i>Lines 102 through 108</i>	<i>1/1/98 - 4/30/98</i>	<i>5/1/98 - 8/31/98</i>	<i>9/1/98 - 12/31/98</i>	<i>Total of SWMT, SWGA & SCORE</i>
TOTAL SWMT, SCORE & SWGA for 1998:	\$16,739,396	\$14,209,521	\$17,610,715	\$ 48,559,632

1998 SWMT, SCORE, & SWGA Deposit Totals:

DEPOSITS	<i>1/1/98 - 4/30/98</i>	<i>5/1/98 - 8/31/98</i>	<i>9/1/98 -12/31/98</i>	Total
SWMT	\$10,208,158	\$13,394,323	\$16,720,277	\$ 40,322,758
SWGA	\$3,100,696	\$685,717	\$800,327	\$ 4,586,740
SCORE***	\$3,333,287	\$199,201	\$62,766	\$ 3,595,254
TOTALS	\$16,642,141	\$14,279,241	\$17,583,370	\$ 48,504,752

*** Since "SCORE tax" is sales tax, it is deposited as sales tax to general fund with other sales tax dollars. Assume for this report that SCORE deposits are the same as the line-item report amounts.

APPENDIX

- **Enactment of Chapter 297H, Solid Waste Management Tax; Requirement of Three Reports.**

The solid waste management tax, Minnesota Statutes, Chapter 297H, was enacted following the 1997 legislative session, effective for waste management services received starting January 1, 1998. Section 297H.13, Subdivision 5, requires the department of revenue to report on the receipts of revenue from this tax, as follows:

Subd. 5. Report on receipts.

The commissioner of revenue shall report to the chairs of the house and senate environment and natural resources committees; the house environment and natural resources finance division; the senate environment and agriculture budget division; the house tax committee and the senate taxes and tax laws committee; the commissioner of the pollution control agency; and the director of the office of environmental assistance on the total tax revenues received from the taxes imposed under this chapter. The reports shall be made as follows:

- (1) a report by May 31, 1998, based on amounts received by the commissioner of revenue from January 1, 1998, through April 30, 1998;
- (2) a report by September 30, 1998, based on amounts received by the commissioner of revenue from May 1, 1998, through August 31, 1998; and
- (3) a report by January 31, 1999, based on amounts received by the commissioner of revenue from September 1, 1998, through December 31, 1998.

- **Overview of the Solid Waste Management Tax.**

The Solid Waste Management Tax (SWM Tax) replaces the SCORE tax (sales tax on waste management services) and the Solid Waste Generator Assessment (SWGA), effective January 1, 1998. The SWM Tax is a new funding mechanism for state recycling and landfill clean-up programs.

Solid waste management services for both mixed municipal solid waste and non-mixed-municipal solid waste (infectious and pathological waste, industrial waste, construction and demolition waste) are subject to the SWM Tax. Solid waste management services include waste collection, transportation, processing and disposal.

Waste management service providers are responsible for collecting and remitting the solid waste management tax. A waste management service provider is any party who directly bills the generator or self-hauler for waste management services. This includes waste haulers, waste management facilities, utility services, and political subdivisions.

SOLID WASTE MANAGEMENT TAX RECEIPTS
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Lines on the ST-1 return

The tax is reported on the regular sales tax return, Form ST-1. Each return includes the following lines:

- **001, Gross Receipts**—total receipts or sales from all business operations in Minnesota.
- **100, General rate sales**—taxable retail sales not related to waste collection service.
- **102, Residential SWM tax**—mixed municipal solid waste management services to residential generators January 1, 1998, and after. Includes amounts from selling bags or stickers to vendors for resale to residential generators.
- **103, Commercial SWM tax**—mixed municipal solid waste management services to nonresidential generators January 1, 1998, and after. Includes amounts from selling bags or stickers to vendors for resale to nonresidential generators.
- **104, Non-MMSW SWM tax**—60 cents per noncompacted cubic yard assessment for customers that receive services January 1, 1998, and after.
- **105, Waste collection services**—sales tax on waste collection and disposal for mixed municipal solid waste services (SCORE) for services prior to January 1, 1998. Since the sales tax on waste services has been repealed, this line will disappear eventually.
- **106, 107, and 108, Waste residential fee** (\$2.00 annually), *Waste residential fee* (\$0.03 per bag), and *Waste non-residential fee* (\$0.60 per noncompacted cubic yard of either mixed municipal solid waste or non-mixed-municipal solid waste) --solid waste generator assessment (SWGA) for services prior to January 1, 1998. Since the SWGA has been repealed, these lines will disappear eventually.

[NOTE: As of 1999, Lines 106, 107, 108 are gone.]

• History of solid waste taxes

Based on recommendations from the Select Committee on Recycling and the Environment (SCORE), the Minnesota Legislature extended the sales tax to municipal solid waste services in 1989 to pay for statewide waste education and recycling programs. The tax, often called the SCORE tax, funded projects that reduced the state's reliance on landfills and improve recycling, source reduction, yard waste composting and waste education activities.

In 1993, the Minnesota Legislature established the Solid Waste Generator Assessment (SWGA), which imposed a fee of \$0.12 per cubic yard of container capacity for commercial waste generators and a fee of \$2 per year for residential waste generators. This revenue went to pay the costs of investigating old landfills for necessary cleanup work, and for Minnesota Pollution Control Agency (MPCA) costs of groundwater protection, solid waste permit and compliance activities, and solid waste permit and compliance activities, and solid waste policy development.

In 1994 the legislature directed the MPCA to take on cleanup and permanent care of 106 old landfills, increasing the commercial portion of SWGA to \$.60 per cubic yard to pay for the extra responsibility. The legislature also broadened the base to include construction and demolition waste, medical waste and most industrial waste. It directed all SWGA revenues to the Solid Waste Fund. That fund pays the cost of the landfill cleanup program, as well as

SOLID WASTE MANAGEMENT TAX RECEIPTS
THIRD PERIOD: SEPTEMBER 1, 1998 — DECEMBER 31, 1998

(History, continued)

costs of specific ground water and solid waste programs, as authorized by the legislature in biennial appropriations.

Over the years, these two charges, the SCORE tax and the SWGA, were separately itemized on residential and commercial solid waste collection bills. In 1997 the Solid Waste Management Tax was enacted. It is often referred to as a hybrid of the SCORE tax and the SWGA, or as a "replacement tax," as it combines many of the features of the taxes that it replaces, the SCORE Tax and the SWGA. Now there is only one charge on a generator's waste collection bill.

S. W. Generator	
111 Any Street,	
Anytown, MN	
Cost of Service:	\$\$ XX.XX
Solid Waste Management Tax:	\$\$
Total:	\$\$ XX.XX
<i>Thank You !</i>	

- **Use of revenues.**

Proceeds from the new single tax will continue to pay for the programs that the SCORE tax and the Solid Waste Generator Assessment have funded in the past.

Fifty percent of the proceeds or at least \$22 million will be deposited into the Solid Waste Fund for landfill cleanup and solid waste purposes established by statute or biennial appropriations.

The remainder will support county recycling block grants and related solid waste activities administered by the Office of Environmental Assistance. Programs include county block grants that help fund more than 700 curbside recycling collection programs that serve more than 3.2 million people statewide; 1,300 recycling stations and drop-off centers and over 110 recycling centers; market development grants and loans; problem materials collection; and other solid waste activities.

