



Tax Expenditure Purpose Statements

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Presentation topics

- Statutory requirements
- Tax Expenditure Budget as a starting point
- LBO process to support the commission
- Previous efforts to identify purpose statements

Statutory Requirement

MN § 3.192 (a)

“(a) Any bill that creates, renews, or continues a tax expenditure must include a statement of intent that clearly provides the purpose of the tax expenditure and a standard or goal against which its effectiveness may be measured.”

Statutory Requirement

MN § 3.8855 subd 4(a)

“In the first three years after the commission is established, the commission must complete an initial review of the state's tax expenditures. The initial review must identify the purpose of each of the state's tax expenditures, if none was identified in the enacting legislation in accordance with section [3.192](#). The commission may also identify metrics for evaluating the effectiveness of an expenditure.”

Tax Expenditure Budget Criteria

- Tax applies statewide
- Provides preferential treatment
- Has a revenue impact
- Is not subject to an alternative tax
- Is not counted as a direct expenditure
- Legislature has authority to impose tax
- It is included in the definition of the tax base

Starting point

- 316 provisions listed in the 2022 Tax Expenditure Budget
- 82 are federal conformity provisions
- Purpose statements have been introduced, enacted, and repealed

LBO process for researching purpose statements

I. Legislative History Research

- Previous engrossments of an enacted bill
- Meeting minutes
- Video and audio archives
- Author interview
- Legislative reports
- Previous versions of similar bill language introduced in MN Legislature

II. Comparable legislation in other States

- National databases
- Peer states conducting similar reviews
- Professional non-partisan organizations dedicated to evaluation of tax incentives programs

III. Academic / Industry Consensus

- Journals
- Texts
- Professional Associations

Past efforts to identify purpose statements

- Eight purpose statement provisions enacted in the 2011 1st Special Session
- 12 provisions were enacted in the 2013 Regular Session
- HF991 of 2021 Regular Session
 - 15 purpose statements for bills included in the 2021 omnibus tax bill
 - 27 purpose statements identified retroactively for provisions enacted between 2014 - 2019

Purpose statements in current law

- MN § 297A.68 subdivision 42(g). Data Center Equipment. 2011

“(g) The purpose of this exemption is to create jobs in the construction and data center industries.”

- MN § 273.13 subdivision 34(l). Homestead Exclusion for Veterans with a Disability. 2008.

“(l) The purpose of this provision of law providing a level of homestead property tax relief for veterans with a disability, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.”

Thank you

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