



Tax Expenditure Review Commission (TERC)

2025-26 BACKGROUND & REVIEW OF TERC BINDER MATERIALS

LBO TERC TEAM

SEPTEMBER 11, 2025

Tax Expenditure Review Commission (TERC)

- TERC charged with reviewing Minnesota tax expenditures and evaluating their effectiveness and fiscal impact
- TERC created in July 2021 (first meeting in 2022)
 - Statute updated in 2023 and 2025
- Report required to Legislature by February 15 each year
 - [TERC reports](#) posted and distributed to House and Senate Tax Committees

Requirements of TERC

- Two phases of tax expenditure reviews:
 1. **Initial review** – identify the objective of each tax expenditure
 2. **Full review and evaluation** – evaluate the effectiveness of all tax expenditures at least once every 10 years
 - Nine criteria for full evaluation provided in statute
 - LBO provides research and analysis for much of the evaluation process
 - DOR provides data and analysis for portions of the evaluations
 - LBO may contract with outside party for portions of certain evaluations

Tax Expenditure Initial Review Progress

Description	Count
Tax expenditures in 2024 Dept. of Revenue Tax Expenditure Budget	327
Tax expenditure objective statements approved by TERC for evaluation	45
Tax expenditure objective statements requiring TERC review and approval	282

Tax Expenditure Evaluations

Description	Count
Tax expenditures approved for full evaluation	45
Tax expenditure evaluations in progress	31

Note – tax expenditure evaluations often bundle individual tax expenditures together so the 31 tax expenditures being evaluated will not result in 31 individual tax expenditure evaluation reports.

2025-26 Review of Binder Materials

- [Commission Overview](#)
- [M.S. 3.8855/Minnesota Session Laws – 2025 1st Special Session, Chapter 13](#)
- [Proposed Schedule of Review](#)
- [2024 TERC Annual Report](#)
- [2024 Tax Expenditure Budget \(TEB\) Summary List](#)



Tax Expenditure Review Commission (TERC)

OPTIONS TO COMPLY WITH M.S. 3.8855 SUBD. 5 COMPONENTS OF REVIEW

COMMISSIONER MARQUART

SEPTEMBER 11, 2025

M.S. 3.8855 Subd. 5

Components of Review (a) (9)

recommend whether the expenditure be continued, repealed, or modified

- *Options to Consider:*

1. Oral Roll Call Vote
2. Written Motion
3. Written Recommendations are Drafted and Voted
4. Template for Evaluating Tax Expenditures
 - Massachusetts Tax Expenditure Review Commission evaluation [template](#)

Template for Evaluating Tax Expenditures

Template for Evaluating Expenditures

Name of Expenditure:	Annual cost:	Year of adoption:	Sunset date:	
Tax Type (check all that apply): <input type="checkbox"/> Corporate <input type="checkbox"/> Personal Income <input type="checkbox"/> Sales <input type="checkbox"/> Other				
This tax expenditure is a result of state conformity to the Federal Code: <input type="checkbox"/> Yes <input type="checkbox"/> No				
Goal of expenditure (check all that apply):				
<i>Business:</i>		<i>Individual:</i>		
<input type="checkbox"/> Job creation & maintenance		<input type="checkbox"/> Relief of poverty		
<input type="checkbox"/> Investment		<input type="checkbox"/> Progressivity/assistance to low earners		
<input type="checkbox"/> Competitiveness/Strategic		<input type="checkbox"/> Access to opportunity		
<input type="checkbox"/> Health/Environment/Social Justice		<input type="checkbox"/> Health/Environment/Social Justice		
<input type="checkbox"/> Other:		<input type="checkbox"/> Other:		
Measurement and Effectiveness Ratings:				
<i>Which best reflects your opinion on each statement?</i>	<i>Strongly disagree</i>	<i>Somewhat disagree</i>	<i>Somewhat agree</i>	<i>Strongly agree</i>
We can measure the overall benefit toward achieving the goal(s).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The TE's benefit justifies its fiscal cost.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The TE is claimed by its intended beneficiaries.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The TE is claimed by a broad group of taxpayers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The TE amount claimed per taxpayer is meaningful as an incentive/benefit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The TE is relevant today.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The TE is easily administered.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Business only</i>				
-The TE is primarily beneficial to smaller businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Individuals only</i>				
-The TE is primarily beneficial to lower income taxpayers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This tax expenditure is flagged for legislative review: <input type="checkbox"/> Yes <input type="checkbox"/> No				

Process Considerations

- Logistics – oral and written voting
- Modify or Repeal Recommendations will require statute language changes
 - will the Commission sponsor draft language
 - does the report simply record the Commission recommendations and stop there
- Next steps
 - consider options and finalize the process at the next meeting