

HF1168 - 0 - Political Contribution Refund Online System

Chief Author: **Kristin Bahner**
 Committee: **Elections Finance And Government Operations**
 Date Completed: **1/23/2025 8:49:22 AM**
 Lead Agency: **Revenue Dept**
 Other Agencies:
 Campaign Finance Board

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Campaign Finance Board					
General Fund	-	-	(15)	(3)	(3)
State Total					
General Fund	-	-	(15)	(3)	(3)
Total	-	-	(15)	(3)	(3)
Biennial Total			(15)		(6)

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Campaign Finance Board					
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 1/23/2025 8:49:22 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Campaign Finance Board						
General Fund		-	-	(15)	(3)	(3)
Total		-	-	(15)	(3)	(3)
Biennial Total				(15)		(6)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Campaign Finance Board						
General Fund						
Expenditures		-	-	(5)	(3)	(3)
Absorbed Costs		-	-	(10)	-	-
Total		-	-	(15)	(3)	(3)
Biennial Total				(15)		(6)
2 - Revenues, Transfers In*						
Campaign Finance Board						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

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Dollars in Thousands					
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
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Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 1/22/2025 3:29:58 PM
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Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

SF 9 creates an electronic submission process for Political Contribution Refunds (PCRs).

Section 1: This section amends Minnesota Statutes 2024, section §10A.02, subd. 11b to allow data submitted to the Campaign Finance and Public Disclosure Board (Board) to be shared with the Department of Revenue (Revenue) to process the Political Contribution Refund (PCR). This section defines the data that may be shared with the commissioner of revenue. The data that is accessed, used, or maintained by the board is private data on individuals.

This section is effective January 1, 2027.

Section 2: This section amends Minnesota Statutes 2024, section §10A.322, subd. 4 to require the Board to provide an electronic receipt and require each receipt to include a unique identification number to allow Revenue to verify the receipt with the Board. Only contributions of \$10 or more must be issued receipts.

This section also requires the board produce a receipt validation report to the commissioner of revenue at least once a week. For each contribution reported, the report must include the date and amount of the contribution, the name and address of the contributor, the name and campaign identification number of the party or candidate that received the contribution, and receipt validation number assigned to the contribution.

The receipt validation report and receipt validation number are private data on individuals.

This section is effective for contributions made after December 31, 2026.

Section 3: This section amends Minnesota Statutes 2024, section §290.06, subd. 23 to allow a PCR claim to be made electronically or by paper and allow multiple PCR claims per year as long as the total doesn't exceed the maximum allowed per year (\$150 for Married Filing Joint couples and \$75 for everyone else). This section also indicates the minimum refund claim is at least \$10 and the commissioner must establish an electronic filing system to claim a refund.

Section 4: This section is a blank appropriation in FY26 and FY27 from the general fund to the commissioner of revenue to implement an electronic filing system for PCRs. This section also includes blank appropriations for FY28 and FY29.

Assumptions

The Department of Revenue (Revenue) assumes creation of an electronic submission process for Political Contribution Refunds (PCRs) with a January 1, 2027 effective date.

Revenue assumes it will need to develop an interagency agreement with the Campaign Finance Board, conduct business systems development in e-Services (already underway), and communicate with the public about the change. Revenue assumes this legislation will impact approximately 39,615 people based on 2022 PCR claims. Additional contact from these customers is anticipated as they will be new e-Services users.

The Appeals, Legal Services, and Disclosure Division assumes that in FY26, the Disclosure and Records Management unit (DRM) will negotiate, draft, and execute a data exchange agreement. DRM will need to hold meetings with the board to discuss the agreement. DRM staff will draft the agreement and review language proposed by the board. DRM may need to draft Tennessee warning language. DRM attorneys and supervisors will review the agreement before it is finalized. DRM also anticipates the need to provide support, legal advice, and draft Tennessee warning language for the electronic filing system. This work can be completed by existing staff.

The Communication Division assumes it will need to review, edit, and publish website content; review and edit a rejection letter for GenTax (the Integrated Tax System); review and edit two email bulletins; review and edit a press release; and review and edit in-app messaging. This work will be done during annual changes by existing staff.

The Income Tax and Withholding (ITW) Division assumes a standard rate of 5 percent of the 39,615 (1,981) political contribution claimants will call or email about the new option to file the PCR electronically. The work of responding to calls and emails will be ongoing beginning in FY26 and can be completed by existing staff.

MN.IT assumes development in the following areas in FY26: GenTax returns and schedules, warehouse/analytics, eServices web registration/logged on services, eServices adding or changing a return, letters, return upload mapping, file format/definition/schema/upload, GenTax interface, data capture and formatting for non-Return paper, and virtual room. A project manager will also be assigned. All work can be completed by existing staff.

MN.IT anticipates ongoing support starting in FY27 that can be completed by existing staff.

The Tax Operations Division assumes system development work will be needed in FY26 largely for e-Services development, which is work that is currently underway and can be completed by existing staff. Tax Operations assumes annual system testing and maintenance will be completed as a part of annual changes.

Tax Operations assumes a 5 percent increase in the amount of political contribution claims that will need to be reviewed beginning in FY26 to accommodate for multiple claims to be made by a taxpayer in a single year. This can be completed by existing staff.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

This bill will create some ongoing systems and customer service work, all of which will be completed by existing staff.

Local Fiscal Impact

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

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General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Steve McDaniel **Date:** 1/23/2025 8:46:05 AM
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General Fund					
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Biennial Total				-	-

Bill Description

The bill requires the Campaign Finance Board (the Board) to develop a file of political contribution refund receipts (PCR) issued by candidates and political party units for transfer to the Dept of Revenue. To create electronic PCR receipts the treasurers for candidates and political party units must enter the political donation into the online campaign finance reporting online application (CFRO). The Board will create a file of the donations that qualify for a PCR receipt, and send that file periodically (at least weekly) to the Dept. of Revenue. The Dept of Revenue will build an online application that donors can use to request a PCR receipt. The Dept. of Revenue will compare the request entered by the donor with the file of eligible receipts received from the Board to verify that the refund request is valid.

Assumptions

The Board will need to modify CFRO to generate a donation record with a unique identification number every time a donation is entered and the treasurer wishes to generate a PCR receipt for a contribution of at least \$10. The record, containing the information required in the bill, will be copied to a file that will be sent to the Dept. of Revenue. The majority of the features needed for this process are already in place. Treasurers already enter contributions into CFRO, the donation is already identified with a unique identification number, then saved to a database. To create the file for the Dept. of Revenue, the Board will need to modify CFRO to filter out contributions of less than \$10 and then copy the required information into to a separate file of PCR receipts, and then combine the donations made by all candidates and party units into a single file for transfer to the Dept of Revenue. The data elements mandated by the bill are already available in CFRO, and do not represent a cost.

The bill eliminates the requirement that the Board provide paper PCR receipts to treasures of political party units and candidate committees that sign the public subsidy agreement. This will save the Board approximately \$3,000 a year in mailing costs, as most paper PCR receipt books are mailed to treasurers. Long term it will also eliminate the printing cost for additional paper PCR receipt books. The Board printed a significant supply of the PCR books in FY23 at a cost of \$14,000. The next anticipated printing of PCR receipt books would be in FY 27. The reduction in mailing costs is documented in Table 1. Because the effective date of the legislation is December 31, 2026, savings on postage do not occur until half way through FY 27. The savings shown for postage is \$1,000 in FY27, and \$3,000 in subsequent years.

Board staff developed CFRO, and an evaluation of the requirements of the bill by the Board's programming staff results in the assumption that the needed modification can and will be done by existing staff. Staff time needed for the modification is worth approximately \$10,000, and the Board can absorb those costs as long as existing staff are fully funded in FY27. This should be a one-time development cost. The fiscal further assumes that the transfer of the file containing the PCR

receipts from the Board to the Dept. of Revenue will be an automated process with no identifiable costs. The bill requires that the transfer occurs at least once a week, but that does not affect the cost incurred by the Board to generate the file.

Expenditure and/or Revenue Formula

USPS Cost to Mail One PCR Book	Approximate Number Mailed Each Year	Mailing Cost
\$2.83	1,000	\$2,830.00

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Jeff Sigurdson (651-539-1189)

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