A bill for an act

relating to taxation; increasing the motor fuels excise tax; allowing a refundable income tax credit; appropriating money; amending Minnesota Statutes 2006, sections 290.06, by adding a subdivision; 296A.07, subdivision 3; 296A.08, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 34. **Highway fuels tax credit.** (a) A credit is allowed against the tax imposed under this section and section 290.091 to married individuals filing joint returns, surviving spouses as defined in section 2(a) of the Internal Revenue Code, unmarried individuals qualifying as heads of household under section 2(b) of the Internal Revenue Code, and unmarried individuals who are not claimed as a dependent on another taxpayer's return and who have attained the age of 18 by the end of the taxable year. To qualify, the taxpayer's taxable net income for the taxable year must not exceed the maximum amount that is taxable at the lowest rate under subdivision 2c. The amount of the credit equals $50 for the taxpayer. For taxpayers with taxable net income that exceeds the amount of income taxable at the lowest rate under subdivision 2c, the credit amount is zero.

(b) If the amount of the credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's liability for tax under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refunds authorized under this subdivision is appropriated from the general fund to the commissioner.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006, except for taxable years beginning during calendar year 2007, the credit is $25.

Sec. 2. Minnesota Statutes 2006, section 296A.07, subdivision 3, is amended to read:

Subd. 3. **Rate of tax.** (a) The gasoline excise tax is imposed at the following rates:

(1) E85 is taxed at the rate of ~~14.2~~ 21.3 cents per gallon;

(2) M85 is taxed at the rate of ~~11.4~~ 17.1 cents per gallon; and

(3) all other gasoline is taxed at the rate of ~~20~~ 30 cents per gallon.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 296A.08, subdivision 2, is amended to read:

Subd. 2. **Rate of tax.** The special fuel excise tax is imposed at the following rates:

(a) Liquefied petroleum gas or propane is taxed at the rate of ~~15~~ 22.5 cents per gallon.

(b) Liquefied natural gas is taxed at the rate of ~~12~~ 18 cents per gallon.

(c) Compressed natural gas is taxed at the rate of ~~$1.739~~ $2.609 per thousand cubic feet; or ~~20~~ 30 cents per gasoline equivalent, as defined by the National Conference on Weights and Measures, which is 5.66 pounds of natural gas.

(d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified in section 296A.07, subdivision 2. The tax is payable in the form and manner prescribed by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2007.