

## Request for Proposal Question and Answer Document

March 3<sup>rd</sup>, 2025

**Question: Are there preferred dates for milestones (such as high-level findings, draft evaluation, final evaluation) or, absent that, completion of the evaluation?**

Answer: The preferred date for full completion is October 31, 2025. Expectations include check-ins throughout the evaluation period. Check-ins will take place at a minimum on a monthly basis. Milestones will be further defined as a part of the negotiated contract with the selected vendor. Please include any proposed recommended dates for milestones within the proposal as per the Proposal Timeline in Section 3.2c.

**Question: From the RFP: The scope requires the vendor to ‘estimate the measurable impacts and efficiency of the tax expenditure in accomplishing the purpose of the expenditure.’ How are you defining efficiency? For discussion purposes, efficiency in principles of taxation generally refers to its impact on market decisions. As it relates to economic incentives, sometimes efficiency refers to the ‘but for test’ – whether the incentive materially impacts business decisions. Is it either of these or something else?**

Answer: To satisfy the requirement of Component of Review #3 as required by Minnesota Statutes 2024, section 3.8855, subdivision 5, the LBO expects efficiency to be addressed with respect to adherence to general tax principles (Allocative Efficiency, Vertical Equity, Horizontal Equity, and Simplicity) and an analysis of administrative burden on the taxpayer and the remitter. Additionally, the LBO expects an analysis of economic impact resulting from the tax policy in comparison to the forgone tax revenue.

Included is a link to a presentation of the Tax Expenditure Review Commission outlining the Legislative Budget Office’s approach to tax expenditure evaluations and a 2011 Minnesota Department of Revenue Report on Tax Expenditure Review for further background information.

Tax Expenditure Review Commission Presentation

<https://www.lbo.mn.gov/TERC/meetings/2024/TaxExpenditureEvaluationProcess.pdf>

2011 Tax Expenditure Review Report

[https://www.revenue.state.mn.us/sites/default/files/2018-12/TE\\_Review\\_Report\\_02\\_15\\_11.pdf](https://www.revenue.state.mn.us/sites/default/files/2018-12/TE_Review_Report_02_15_11.pdf)

**Question: The first component of the evaluation is to ‘provide an estimate of the annual revenue lost as a result of the expenditure.’ Our understanding is that the state of Minnesota Tax Expenditure Report, dated November 1, 2024, provides an estimate of this tax expenditure (4.2.12, Data Center Equipment). Is there an expectation that the consultant would make an independent estimate?**

Answer: The LBO does not expect the consultant to make an independent estimate. The Minnesota Department of Revenue will provide an updated estimate of forgone revenue as a result of the tax expenditure to address this component of the evaluation. The expectation is that the updated estimate is included within the final evaluation report.