

MINNESOTA • REVENUE

SALES TAX Water Used for Public Safety

February 8, 2011

Department of Revenue
Analysis of H.F. 106 (Anderson, P.)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
General Fund (6.5%)	(\$130)	(\$50)	(\$55)	(\$60)
Natural Resources and Arts Funds (0.375%)	(\$7)	(\$3)	(\$3)	(\$3)
Total – All Funds	(\$137)	(\$53)	(\$58)	(\$63)

Effective for sales made after June 30, 2007. No refunds may be made for amounts already paid for periods between June 30, 2007, and January 30, 2010.

EXPLANATION OF THE BILL

This bill would exempt from the sales and use tax purchases of water used directly in providing public safety services. The water would have to be purchased by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or political subdivision.

REVENUE ANALYSIS DETAIL

- This estimate is based on 5.9 fires per thousand population from the U.S. Fire Experience by Region report by the National Fire Protection Association. Minnesota's population of 5.3 million equates to approximately 31,000 fires per year. The number of fires per year is assumed to be constant for the duration of this estimate.
- This estimate assumes that 70% of the fires can be extinguished with the water contained in the pumper truck. The pumper truck usually contains 500 gallons of water.
- The remaining 30% of the fires could be extinguished using 25,000 gallons of water each.
- A price of \$3.07 per thousand gallons of water in calendar year 2009 is used as the base price of water. The price of water used for fire protection is based on data provided by the Minnesota Rural Water Association.
- The consumer spending on water supply and sanitation growth rate from the January 2011 forecast by Global Insight, Inc., is used to increase the price of water.
- The estimate for FY 2012 includes refunds for taxes paid after January 30, 2010.
- Depending upon the enactment date, some of the FY 2012 impact may shift to FY 2011.

Number of Taxpayers: There are about 790 Fire Departments in Minnesota.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy