

**SALES AND USE TAX  
Coin Operated Amusement Devices**

April 25, 2001

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested		<b>X</b>
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		<b>X</b>

Department of Revenue

Analysis of H.F. 1018 (Milbert) /S.F. 1751 (Metzen)

**Analysis Revised for Senate Amendment (SCS1751A-1) and Identical House Oral Amendment dated March 5, 2001.**

	<b>Revenue Gain or (Loss)</b>			
	<b><u>F.Y. 2002</u></b>	<b><u>F.Y. 2003</u></b>	<b><u>F.Y. 2004</u></b>	<b><u>FY2005</u></b>
			(000's)	
General Fund	\$(2,655)	\$(3,070)	\$(3,250)	\$(3,445)

Effective July 1, 2001

**EXPLANATION OF THE BILL**

**Current Law:** The making available of amusement devices to users is defined as a taxable service for the sales and use tax.

**Proposed Law: As amended,** the bill changes Minnesota Statutes 2000, section 297A.61, subdivision 16, by adding language exempting from sales tax the gross receipts of coin, currency, or token operated amusement devices. Remaining taxable would be charges for access to or the use of indoor and outdoor carnival rides, water slides, etc. The Department of Revenue considers coin, currency, or token operated amusement devices to include video games, pinball machines, juke boxes, pool tables, and electronic darts.

**REVENUE ANALYSIS DETAIL**

- The estimate was based on Minnesota data from the 1997 economic census of arts, entertainment, and recreation, produced by the US Census Bureau. The categories used were "amusement parks and arcades," and "concession operators of amusement devices and rides."
- The subcategory of amusement parks and arcades showed 55 establishments with receipts of \$48.310 million. This number was reduced by 20 percent to exclude admission charges and items not deemed to be amusement devices. It was further reduced by 35 percent to exclude carnival rides.
- The resulting figure was then increased by 25 percent to account for coin operated devices at other locations such as movie theaters, bars and restaurants, fairs, carnivals, and airports.
- The subcategory of concession operators of amusement devices and rides showed 21 establishments and receipts of \$5.026 million. This figure was also reduced by 35 percent to exclude carnival rides.
- The total 1997 estimate was increased through 2005 by the forecast annual growth of the amusement and recreation sector according to the REMI forecasting and simulation model of the Minnesota economy.

**Analysis Revised for Senate Amendment (SCS1751A-1) and Identical House Oral  
Amendment dated March 5, 2001.**

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**REVENUE ANALYSIS DETAIL (Cont.)**

- The annual numbers were multiplied by the 6.5 percent tax rate and converted to fiscal year amounts.
- The estimate for fiscal year 2002 was adjusted for an effective date of July 1, 2001 (11 months of impact).

**Number of Taxpayers Affected:** The Census report listed 76. The actual number is believed to be higher because amusement devices are available at many locations other than arcades and amusement parks.

**ADMINISTRATIVE/OPERATIONAL IMPACT**

There will be no significant administrative or operational costs or savings to DOR in administering this bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
<http://www.taxes.state.mn.us/polic.html#analyses>