SALES AND USE TAX
Fire Departments

March 22, 2001

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

Department of Revenue
Analysis of H.F. 1673 (Stang)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund	$(1,390)	$(1,580)	$(1,680)	$(1,775)

Effective July 1, 2001

EXPLANATION OF THE BILL

Current Law: Sales to state government have been generally taxable since 1987. Sales to local governments have generally been taxable since June 1, 1992. Since 1992, a number of specific exemptions have been enacted. Exemptions for local government fire services are:

- fire trucks, apparatus, and ambulances
- repair and replacement parts for fire trucks, apparatus, and ambulances
- fuel for fire trucks and emergency vehicles
- fire fighters' protective equipment
- ambulance medical supplies

Proposed Law: The bill provides a complete, unrestricted sales and use tax exemption for tangible personal property (goods) sold to fire departments, fire protection districts, and fire companies charged with providing fire protection to the state or a political subdivision. Included would be such items as office supplies, equipment, and furnishings; shop supplies, tools and equipment; and communications equipment. The exemption of fire fighting personal protective equipment remains unchanged. The exemption would apply only to tangible personal property and not to utility services, lodging, or meals. The analysis assumed that qualifying items acquired by the Department of Natural Resources would also be exempted.

REVENUE ANALYSIS DETAIL

- The analysis was based on the method utilized for a similar proposal in 2000. Information was acquired from the US Census Bureau, the MnSCU Fire and Emergency Management Safety Center, the DNR Interagency Fire Center, and Department of Revenue data.
- The portion of total fire protection expenditures by Minnesota governments on tangible personal property was estimated and multiplied by the 6.5% sales and use tax rate. The figures were for fiscal year 1997.
- Independent volunteer fire protection companies (approximately 60 in number) work under contract with cities and townships and already enjoy an exemption from all taxes under M.S. 272.021 and were therefore excluded from the analysis.

- The estimated dollar amounts of the current sales tax exemptions were subtracted to arrive at a revenue loss figure.
- There would be no impact from the language in section 3 exempting vehicles used for fire suppression because the affected vehicles are already exempt from registration and so are automatically exempt from the motor vehicle sales tax. They are also exempt from the general sales and use tax.
- The estimated loss for the FY 1997 base year was increased annually by the historical and projected growth in state and local government expenditures (excluding employee compensation) as published by DRI, Inc. The estimate for FY 2002 was adjusted for an effective date of July 1, 2001 (11 months of impact).

Number of Entities Affected: Approximately 800.

ADMINISTRATIVE/OPERATIONAL ISSUES

There are no significant administrative or operational costs or savings to the department in administration of this bill.

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

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