

**SALES TAX
Certain Businesses in Small Cities**

April 3, 2001

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

Department of Revenue
Analysis of H.F. 1695 (Mulder) / S.F. 2128 (Lesewski)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
	(000's)			
General Fund	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Effective January 2, 2002.				

EXPLANATION OF THE BILL

Current Law: There is presently no exemption for sales tax permit holders based on the population or location of the city in which they do business.

Proposed Law: The bill would exempt the first \$1 million gross sales made by a business in any calendar year if 1) the business is located in a city of less than 1,200 population; 2) the city under 1,200 is more than five miles from a city of 10,000 population or more; 3) the business is owned and operated by a person who lives in the smaller city; and 4) the business is not owned by or a franchise of a multinational corporation, or is a firm dominant in its field of operation as defined in statute.

REVENUE ANALYSIS DETAIL

There are approximately 700 cities in Minnesota with a population less than 1,200 that are more than five miles from a city of 10,000 or more population. However, because neither the tax system nor other source can provide the number of businesses affected by conditions 3 and 4, the fiscal impact is shown as unknown.

Number of Taxpayers Affected: Not known.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note.

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