

MINNESOTA • REVENUE

SALES TAX Bakery Goods

February 8, 2002

Department of Revenue
Analysis of H.F. 2734 (Dibble) / S.F. 2635 (Orfield)

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

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund	\$(1,124)	\$(6,965)	\$(7,317)	\$(7,663)

Effective the day following final enactment. The analysis assumed an effective date of April 1, 2002.

EXPLANATION OF THE BILL

Current Law: A 2001 law change, enacted as part of the national streamlined sales tax project, provided a definition of taxable prepared food. The definition included bakery goods made by the seller.

Proposed Law: The bill amends the 2001 definition by exempting bakery items made by the seller. Such items include bread, rolls, bagels, biscuits, croissants, doughnuts, pastries, pies, cakes, tortes, muffins, cookies, tortillas, etc.

REVENUE ANALYSIS DETAIL

The analysis was based on data from the 1997 Census of Retail Trade, national report. The amounts reported for bakery goods baked on premises was used. The total was adjusted to take into account baked goods made by seller but not on the premises where the sale is made (for instance, a seller's central bakery which supplies the seller's stores). The estimate from national data was apportioned to Minnesota at 1.751%, the state's percentage of US population in 1997.

Annual growth to fiscal year 2005 was based on constant-dollar consumer spending for food and beverages plus the consumer price index. These factors were from DRI, Inc. The estimate for fiscal year 2002 was adjusted to reflect an effective date of April 1, 2002 (two months of impact).

ADMINISTRATIVE/OPERATIONAL IMPACT

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

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