MINNESOTA · REVENUE

SALES AND USE TAX
Delivery Charges for Aggregate Material and Concrete Blocks

March 7, 2002

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

Department of Revenue
Analysis of H.F. 3460 (Kuisle) / S.F. 3303 (Rest) (**REVISED**)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**F.Y. 2005**
General Fund:		(000's)		
Transition Exemption for Contracts Signed Prior to 1/1/02	$0	($85)	($55)	($15)
Taxable Delivery Charges	$0	$89	$98	$98
Total General Fund:	$0	$4	$43	$83

Transition Exemption effective January 1, 2002
Tax on Delivery Services effective July 1, 2002

EXPLANATION OF THE BILL

Current Law: As a part of the national Streamlined Sales Tax Project, the 2001 Legislature broadened the sales tax base to include delivery charges, effective January 1, 2002. Under Revenue Notice #02-05, the Department of Revenue has provided a six-month transitional period for delivery charges incurred under a written bona fide lump sum contract entered into before January 1, 2002. During this six-month period delivery charges will be exempted from tax.

Proposed Law: This bill explicitly states that delivery of aggregate materials and cement blocks are subject to the sales tax. It excludes contracts entered into prior to January 1, 2002 from the sales tax on delivery of aggregate materials and cement blocks until January 1, 2005, in instances where delivery is provided by the seller. Contracts entered into after January 1, 2002, which contain delivery charges, are subject to the sales tax. The tax applies to vendor-provided and third party delivery services.

REVENUE ANALYSIS DETAIL

- The analysis was based on data provided by representatives of the affected state transportation interests, Minnesota contractors and the aggregate industry.
- It was assumed that most of the revenue impact from the transition period exemption would occur in FY03 and FY04, since contracts had to have been let prior to January 1, 2002.

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

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