

**SALES AND USE TAX
Animal Sales by Nonprofit Shelters**

February 14, 2001

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

Department of Revenue
Analysis of S.F. 32 (Scheid) / H.F. 115 (Luther)

	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	(\$240)	(\$270)	(\$275)	(\$280)

Effective for sales made after June 30, 2001.

EXPLANATION OF THE BILL

The proposal would allow a tax exemption for animals sold by a qualifying organization. Qualifying organizations would be limited to those that are recognized by section 501(c)3 of the Internal Revenue Code as an exempt organization and that have animal rescue as their main purpose. The exemption applies if the price does not exceed the reasonable costs for caring for the animal including food, shelter, and veterinary costs.

REVENUE ANALYSIS DETAIL

- Based on information from humane societies and animal shelters, it is estimated that there are 51,780 animals adopted yearly in Minnesota that would qualify for the exemption.
- The 2000 Minnesota Business Directory lists 50 humane societies and animal shelters in Minnesota.
- Information from a sample of nonprofit animal shelters and humane societies across the state indicates that the average recovered cost for an adopted animal was \$77 in calendar year 2000.
- The fiscal analysis assumes a stable number of incoming and outgoing animals for the shelters and an annual 2.7% growth factor for costs.
- The fiscal year 2002 impact was reduced to reflect 11 months of collections.

Number of Taxpayers Affected: The number of purchasers is assumed to be similar to the number of animals sold, approximately 50,000 per year.

ADMINISTRATIVE/OPERATIONAL IMPACT:

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

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