

MINNESOTA · REVENUE

SALES AND USE TAX Agricultural Use Herbicides, Fungicides, and Pesticides

February 27, 2002

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

Department of Revenue
Analysis of S.F. 3263 (Pogemiller)/ H.F. 3620 (Dawkins)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
General Fund	\$0	\$32,200	\$35,900	\$36,800

Effective for purchases or sales made on or after July 1, 2002.

EXPLANATION OF THE BILL

Current Law: Materials, such as herbicides, pesticides, and fungicides, consumed in the agricultural production of personal property that are intended to be sold at retail are currently exempted from the sales and use tax. Wholesalers of agricultural chemicals are required to register, and pay fees based on sales, with the Minnesota Department of Agriculture.

Proposed Law: Herbicides, pesticides, and fungicides would be subject to the sales and use tax.

REVENUE ANALYSIS DETAIL

- Based on information from the Minnesota Department of Agriculture – Agronomy and Plant Protection Division – Environmental Regulatory Section, it is estimated that there are slightly more than \$500,000,000 of wholesale sales of agricultural pesticides (including fungicides and herbicides) in Minnesota per year.
- An adjustment for the retail trade mark-up factor was applied based on chemical industry information.
- Information from the Department of Agriculture indicates that no significant sales growth, for total agricultural pesticide sales, is expected in this forecast period. A price growth factor of 2.4% is included based on DRI GDP price index information.
- The fiscal year 2003 estimate was reduced to reflect 11 months of collections.

Number of Taxpayers: Information from the 1997 Census of Agriculture for Minnesota indicates that there were approximately 60,700 farms with harvested cropland in Minnesota in 1997.

ADMINISTRATIVE/OPERATIONAL IMPACT

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

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