SALES AND USE TAX
Direct-Mail Definition

March 21, 2003

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

Department of Revenue
Analysis of H.F. 809 (Abrams) / S.F. 877 (Rest)

	Revenue Gain or (Loss)			
	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007
	(000's)			
General Fund	$0	$0	$0	$0

Effective retroactive to January 1, 2002

EXPLANATION OF THE BILL

Current Law: Under 2002 legislation (Minn. Stat. §297A.68, subd. 36), charges for delivery or distribution of printed materials are exempt from sales and use tax if: 1) the charges are separately stated; 2) the delivery or distribution is to a mass audience or to a mailing list provided by a customer; and 3) the cost of the (printed) materials is not billed directly to the recipients. The current exemption expires on January 1, 2006.

Proposed Law: The bill provides a new definition for "direct mail" and exempts charges for delivering or distributing direct mail.

Section 1 adds a subdivision to Minn. Stat. §297A.61 defining the term "direct mail." This definition is mostly consistent with the wording of the current Streamlined Sales Tax Agreement.

Section 2 amends §297A.68, subd. 36 by striking the term "printed materials" and substituting the term "direct mail." It provides that charges for delivery or distribution of direct mail are exempt if the charges are separately stated on the invoice to the purchaser (that is, party that pays for the production of direct mail). The proposed exemption would be permanent.

REVENUE ANALYSIS DETAIL

This bill makes no change to the current sales tax base. Therefore, no revenue impact is shown.

Number of Taxpayers: There are an estimated 2,000 commercial printers in Minnesota, many of which produce direct-mail items.

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