SALES AND USE TAX
Re-Refined Motor Oil; Recycled Paper

May 2, 2003

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

Department of Revenue
Analysis of H.F. 863 (Peterson) / S.F. 925 (Marty)

	Revenue Gain or (Loss)			
	F.Y. 2004	**F.Y. 2005**	**F.Y. 2006**	**F.Y. 2007**
	(000's)			
Re-Refined Motor Oil	($38)	($44)	$0	$0
Recycled Paper	($51)	($59)	$0	$0
General Fund Total	($89)	($103)	$0	$0

Effective for sales and purchases made after June 30, 2003, and before July 1, 2005

EXPLANATION OF THE BILL

Current Law: The sale of used motor oil is exempt. The sale of paper is taxable, except when the paper is used in commercial printing, commercial photocopying, or publishing. In these cases, the paper is exempt as an input to industrial production.

Proposed Law: Section 1 provides an exemption for re-refined motor oil for gasoline engines, subject to certain specifications. Section 2 grants an exemption to copier paper with a minimum post-consumer recycled content of 30% by weight, to uncoated printing paper with a minimum post-consumer recycled content of 30% by weight, and to coated printing paper with a minimum post-consumer recycled content of 10% by weight.

REVENUE ANALYSIS DETAIL

- The estimates were based on data developed by the Recycling Association of Minnesota.
- Estimated sales of re-refined motor oil were based on national data for used motor oil apportioned to Minnesota at 1.86%, the state's portion of the gross domestic product according to the U.S. Bureau of Economic Analysis. Based on information from state sources, it was estimated that 5% of used motor oil sold in Minnesota is currently re-refined into usable engine oil.
- The estimate for paper meeting the post-consumer recycled content requirements was based on Economic Census data for Minnesota of sales of stationery and computer paper. It was estimated that copier paper is 55% of total stationery and computer paper sales. This amount was multiplied by 7.2%, the approximate portion of copier paper sales meeting the 30% recycled content requirement. **Note:** Sales of printing and coated paper were excluded because these types of paper are used almost exclusively in commercial printing and thus are already exempt as items consumed in production.

REVENUE ANALYSIS DETAIL (Cont.)

- Annual growth for both re-refined motor oil and copier paper was calculated as the percentage change in the gross domestic product as published Global Insights, Inc.
- The estimate for fiscal year 2004 was adjusted for an effective date of July 1, 2003, to reflect 11 months of impact.

Number of Taxpayers: Three currently sell re-refined motor oil. The number of affected paper buyers is large and includes businesses, governments, and individuals.

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

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