

# MINNESOTA • REVENUE

## UNIFORM SALES AND USE TAX ADMINISTRATION Conforming Changes

May 12, 2003

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

Department of Revenue  
Analysis of H.F. 1570 (Abrams), As Amended (H1570A1)

	<b>Revenue Gain or (Loss)</b>			
	<b><u>F.Y. 2004</u></b>	<b><u>F.Y. 2005</u></b>	<b><u>F.Y. 2006</u></b>	<b><u>F.Y. 2007</u></b>
	(000's)			
Prepared Food	(\$2,140)	(\$5,370)	(\$5,590)	(\$5,800)
Over-the-Counter Analgesics	\$1,500	\$3,720	\$3,850	\$3,970
Durable Medical Equipment	\$2,260	\$5,640	\$5,870	\$6,100
Mobility Enhancing Equipment	<u>(\$20)</u>	<u>(\$50)</u>	<u>(\$50)</u>	<u>(\$50)</u>
General Fund Total	\$1,600	\$3,940	\$4,080	\$4,220

Effective for sales and purchases made on or after January 1, 2004

### EXPLANATION OF THE BILL

**Current Law:** In 2001 legislation was enacted making Minnesota a participant in the national Streamlined Sales Tax Project. The 2001 law adopted the first phase of the streamlined provisions and definitions.

**Proposed Law:** The bill amends Minn. Stat. Chapters 297A (sales and use tax) and 289A (tax administration and compliance) so that they conform to the current version of the Streamlined Sales Tax Agreement (SSTA). The bill has revenue impacts in following areas:

- Prepared Food: Legislation passed in 2002 temporarily exempted ready-to-eat meat and seafood. In order to be in compliance with the SSTA, the bill exempts all unheated food that is sold by weight or volume as a single item. Included in the broadened exemption are such items as various types of salads, certain fruit and cheese preparations, beef jerky, etc. This new exemption would be permanent.
- Over-the-Counter Analgesics: Provides that aspirin and other analgesics are taxable unless prescribed by a licensed medical professional. Over-the-counter analgesics are exempt currently.
- Durable Medical Equipment: Enacts the SSTA definition of durable medical equipment and subjects them to the sales and use tax. Becoming taxable would be products such as

## **EXPLANATION OF THE BILL (Cont.)**

colostomy devices, fever thermometers, feeding pumps and supplies, hospital beds and mattresses, medical atomizers, oxygen tanks and concentrators, syringes, traction devices, etc. The definition exercises the SSTA option of exempting durable medical equipment for home use. **As amended**, the bill exempts durable medical equipment sold to nursing homes.

- Mobility Enhancing Equipment: The SSTA definition, which includes repair and replacement parts, broadens the present exemption to such items as movable access ramps and lift chairs.

## **REVENUE ANALYSIS DETAIL**

- The estimates were based on a number of sources, including the 1997 Economic Census, the Bureau of Economic Analysis, the Statistical Abstract of the United States, and industry publications. Annual growth rates were based chiefly on data from Global Insights, Inc., the state's official economic consultant.

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