

# MINNESOTA • REVENUE

## SALES AND USE TAX

### Donated Meals

April 1, 2004

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

Department of Revenue

Analysis of S.F. 2900 (Tomassoni) / H.F. 3073 (Rukavina)

### Revenue Gain or (Loss)

	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	(Negligible)	(Negligible)	(Negligible)

Effective for donations made after June 30, 2004

### EXPLANATION OF THE BILL

**Current Law:** Sales of meals and other prepared food are taxable. If the food is provided free, no tax is charged to the recipient. The restaurant, club, or other prepared food provider may purchase exempt from sales tax certain products that are transferred to paying customers, such as paper napkins, disposable cups and silverware, straws, toothpicks, and take-out containers. Thus, in cases where the food is provided without charge, the establishment is liable for use tax on its cost for such items because no retail sale of prepared food takes place.

**Proposed Law:** The bill exempts meals normally sold at retail in the ordinary course of business if the meals are donated to a nonprofit group for fund-raising purposes. (The bill does not define the term "meals".) Nonprofit groups are defined as 1) organizations operated exclusively for charitable, religious, or educational purposes and 2) senior citizen groups. The bill's effect is to give prepared food providers a use tax exemption for disposable items as described above.

### REVENUE ANALYSIS DETAIL

- Because of the narrow scope of items for donated meals exempted by the bill, any use tax at issue is extremely small. Therefore, the revenue impact is shown as negligible.

**Number of Taxpayers:** Not known

Source: Minnesota Department of Revenue  
Tax Research Division

[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)