MINNESOTA · REVENUE

SALES TAX
Ready-to-Eat Meat and Seafood

March 25, 2004

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

Department of Revenue
Analysis of H.F. 2710 (Nelson, P.) / S.F. 2821 (Rest)

	Revenue Gain or (Loss)			
	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007
	(000's)			
General Fund	$0	$0	($310)	($765)

Effective the day following final enactment

EXPLANATION OF THE BILL

Current Law: In 2001 the sales and use tax statutes were amended to be in compliance with the national Streamlined Sales Tax Agreement, of which Minnesota is a participant. One of the changes made was to the definition of taxable prepared food. Prepared food means food sold in a heated state or heated by the seller; two or more food ingredients mixed or combined by the seller for sale as a single item; or food sold with eating utensils, including napkins and straws, provided by the seller. The definition included meat products (such as sausages) where the seller has combined two or more ingredients to make the item.

In 2002 the definition of prepared food was amended to exempt ready-to-eat meat and seafood in an unheated state that is prepared by the seller and sold by weight. This exemption expires after December 31, 2005, the date by which participating states' sales tax laws must comply with the streamlined sales tax agreement.

Proposed Law: The bill repeals the sunset date, making the current exemption permanent.

REVENUE ANALYSIS DETAIL

- The analysis is based on data from the U.S. Economic Census that was used in estimating the 2002 law change. Sales by supermarkets, grocery stores, and specialty food stores of ready-to-eat meat and seafood were estimated and apportioned to Minnesota based on population.
- Annual growth was based on data from Global Insight, Inc.
- The estimate for fiscal year 2006 has five months of impact because the food at issue is exempt under current law through December 31, 2005.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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