

MINNESOTA • REVENUE

SALES AND USE TAX Tree Removal Contracts

April 27, 2005

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

Department of Revenue
Analysis of H.F. 2451 (Vandever) / S.F. 2251 (Bachmann)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	(Negligible)	(Negligible)	(Negligible)	(Negligible)

(000's)

Effective retroactive to October 22, 2002, but no refunds are allowed for sales tax collected and remitted on land clearing contracts.

EXPLANATION OF THE BILL

Tree, shrub, and stump removal is a taxable service in Minnesota. The bill proposes to exempt tree, bush, and shrub removal service when the service is sold to contractors or subcontractors as part of a land clearing contract. A land clearing contract is defined as the removal of trees, bushes, shrubs, roots, or stumps to develop a site for other purposes. The bill provides that the proposed exemption does not apply to clearing of a portion of a site to allow for remodeling, improvement, or expansion of an existing structure.

REVENUE ANALYSIS DETAIL

Because the proposed law clarifies that the taxability of tree removal services does not apply to land clearing contracts, the revenue impact is estimated as negligible.

Number of Taxpayers: Unknown

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

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