

# MINNESOTA • REVENUE

## SALES AND USE TAX

### Ice Cream Cakes

April 19, 2005

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

Department of Revenue  
Analysis of S.F. 544 (LeClair) / H.F. 909 (Klinzing)

### Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	(\$400)	(\$445)	(\$455)	(\$465)

Effective on and after July 1, 2005

### EXPLANATION OF THE BILL

**Current Law:** Prepared food is subject to sales tax. Included in the definition of prepared food are two or more food ingredients mixed or combined by the seller for sale as a single item. An exemption applies to the sale of baked goods, including bread, pies, cakes, and pastries. Certain ice cream cakes are taxable because frosting and other features are applied to a prepared cake at the seller's location.

**Proposed Law:** The bill exempts cakes made of ice cream and other frozen dairy products by including them in the definition of exempt baked goods.

### REVENUE ANALYSIS DETAIL

- The estimate was based on sales data from industry sources.
- Annual growth was the forecast change in off-premises food consumption according to Global Insight, Inc.
- The estimate for fiscal year 2006 reflects eleven months of impact from a July 1, 2005, effective date.

**Number of Taxpayers:** Estimated maximum of 250 establishments.

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)