

MINNESOTA • REVENUE

SALES AND USE TAX

Vending Machines – Milk and Water

April 19, 2005

Department of Revenue
Analysis of S.F. 1670 (Lourey) / H.F. 1743 (Blaine)

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

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	(\$330)	(\$370)	(\$380)	(\$395)

Effective July 1, 2005

EXPLANATION OF THE BILL

Current Law: The gross receipts from all food and beverages sold from vending machines are taxable.

Proposed Law: The bill exempts the gross receipts from vending machine sales of milk and water.

REVENUE ANALYSIS DETAIL

- Based on national data and information from the vending industry, Minnesota vending machine sales in 2002 were approximately \$250 million.
- For water, it was assumed that the proposal applies to noncarbonated and unsweetened water only.
- It was estimated that milk and water are 2% of current vending machine sales.
- Annual growth from a 2002 base was estimated at 3%.
- The estimate for fiscal year 2006 was adjusted for an effective date of July 1, giving 11 months of impact in the first year.

Number of Taxpayers: Estimated at approximately 75 vending machine operators.

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

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