

MINNESOTA • REVENUE

SALES AND USE TAX Certain Vending Machine Sales

February 23, 2007

Department of Revenue
Analysis of S.F. 706 (Bakk) / H.F. 1156 (Hilstrom)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	F.Y. 2008	F.Y. 2009	F.Y. 2010	F.Y. 2011
			(000's)	
General Fund	(\$1,170)	(\$1,310)	(\$1,350)	(\$1,390)

Effective July 1, 2007

EXPLANATION OF THE BILL

Current Law: The gross receipts of sales from vending machines are currently taxable.

Proposed Law: The bill would exempt vending machine sales of milk, water, fruit, 100% fruit juice, yogurt, and salads.

REVENUE ANALYSIS DETAIL

- The estimate was based on total Minnesota vending sales according to the 2002 Economic Census and on information provided by the Minnesota Automated Merchandising Council. The 2002 Census showed that Minnesota sales by vending machine operators came to \$182.705 million.
- The breakout of the items proposed for exemption was based on recent data from two industry publications, *Automatic Merchandiser* and *Vending Times*.
- The Census figure was multiplied by the portions attributable to the products exempted in the bill: milk, 1.7%; water, 5.2%; fruit juice, 0.86%; and fruit, yogurt, and salads, 0.5%.
- Total sales exempted under the bill came to approximately \$15.1 million in base-year 2002.
- This total was multiplied by the 6.5% tax rate and grown through 2011 by the historic and projected growth in food and beverages for off-premises consumption, excluding purchased meals, as calculated from the February 2007 edition of the *U.S. Economic Outlook* by Global Insight, Inc. (The average was 4.1% a year.)
- The estimate for fiscal year 2008 reflects an effective date of July 1, 2007, with 11 months of impact in the first year.

Number of Taxpayers: The Census Bureau reported that there were 156 vending machine operators in Minnesota in 2002.

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