

# MINNESOTA • REVENUE

## EXCISE TAX ON PAINT 5¢ per Gallon Rate

February 23, 2007

Department of Revenue  
Analysis S.F. 836 (Higgins)

	Yes	No
DOR Administrative Costs/Savings	X	

	<b>Fund Impact</b>			
	<b><u>F.Y. 2008</u></b>	<b><u>F.Y. 2009</u></b>	<b><u>F.Y. 2010</u></b>	<b><u>F.Y. 2011</u></b>
	(000's)			
Lead Risk Assessment and Lead Hazard Reduction Account, General Fund	\$850	\$1,290	\$1,310	\$1,330

Effective the day following final enactment and applies to paint shipped after September 30, 2007.

### EXPLANATION OF THE BILL

An excise tax of 5¢ per gallon would apply to paint distributed in Minnesota. "Paint" is defined as fluids or materials intended to be used as a coating and change to a solid film when applied.

The tax is paid by the wholesaler, and liability for the tax is incurred when the paint is shipped or delivered to a retailer. A use tax applies if a person receives paint for resale or use in Minnesota and the tax has not been paid. Provisions are made for wholesaler licensing and a separate tax return.

### REVENUE ANALYSIS DETAIL

- Information from an industry publication identifies national shipments of paint, varnish, and lacquer of 1,338,500,000 gallons in calendar year 2003 and an average annual growth rate of 1.6%.
- International imports and exports were reported to be relatively small and partially offsetting.
- National numbers were apportioned to Minnesota, based on population, at a rate of 1.75%.
- It is assumed that all paint products will be taxed, including architectural coatings, manufacturer product finishes, and special purpose coatings. This includes paint used in manufacturing and industrial settings.
- Fiscal year 2008 is adjusted for eight months of collections.

**Number of Taxpayers:** There are approximately 3,000 retail establishments in Minnesota that sell paint products, including paint and hardware stores. Additionally, there are an unspecified number of businesses, including manufacturing and industrial establishments, using paint products in Minnesota. The number of wholesalers that would be subject to the tax is not known.

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)