

MINNESOTA • REVENUE

SALES AND USE TAX Exemption for Towns

March 21, 2011

State Taxes Only – See Separate Analysis for Property Tax and Local Aids Provisions

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 957 (Rest)

	<u>Fund Impact</u>			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
General Fund (6.5%)	(\$900)	(\$1,000)	(\$1,100)	(\$1,100)
Natural Resources and Arts Funds (0.375%)	(\$50)	(\$60)	(\$60)	(\$60)
Total – All Funds	(\$950)	(\$1,060)	(\$1,160)	(\$1,160)

Effective for sales and purchases made after June 30, 2011.

EXPLANATION OF THE BILL

Current Law: Local units of government, except school districts, are generally subject to the sales and use tax on their purchases. Certain exemptions apply to specific types of purchases. An exemption applies to township purchases of gravel and road maintenance machinery.

Proposed Law: The bill would provide a general sales and use tax exemption for purchases by townships. Gravel and road maintenance machinery would be included under the proposal, so the specific exemption would be eliminated.

REVENUE ANALYSIS DETAIL

- The estimates are based on the most recent State Auditor reports on local government finances. Where possible, the numbers were averaged with the previous year to minimize distortion from an unusually high or low single year.
- Taxable portions of the categories “current expenditures” and “capital outlay” were estimated and multiplied by the 6.875% state sales tax rate.
- The base-year estimates were increased annually through 2015 based on the historical and projected growth in state and local government spending, excluding wages and salaries, according to the January 2011 edition of the *U.S. Economic Outlook* published by Global Insights, Inc.
- The estimate for fiscal year 2012 was adjusted for an effective date of July 1, 2011, with eleven months of impact in the first year.

Number of Taxpayers: There are about 1,800 townships in Minnesota.

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