

MINNESOTA • REVENUE

SALES AND USE TAX Refunds for Canadian Resident Purchases in Minnesota

March 27, 2012

Preliminary Estimates

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2398 (Stumpf)

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
		(000's)		
General Fund	\$0	(\$1,930)	(\$1,000)	(\$1,030)
Natural Resources and Arts Funds	<u>\$0</u>	<u>\$110</u>	<u>(\$60)</u>	<u>(\$60)</u>
Total – All Funds	\$0	(\$2,040)	(\$1,060)	(\$1,090)

Effective retroactively for sales and purchases made after December 31, 2010.

EXPLANATION OF THE BILL

The bill would allow Canadian residents and Canadian businesses to claim a refund of Minnesota sales tax if the following conditions are satisfied. First, the purchaser must have been in Minnesota expressly to make the purchase. Second, the items purchased were removed from Minnesota within 30 days of purchase for permanent use outside Minnesota. Third, the gross receipts for each individual sales transaction, which may include one or more items, equal \$25 or more. Fourth, the amount of the refund, based on qualifying sales made within one calendar year of the first qualifying purchase, is \$15 or more. This provision does not apply to sales tax paid on taxable services as defined in section 297A.61, subdivision 3, paragraph (g).

REVENUE ANALYSIS DETAIL

- North Dakota has a similar sales tax refund. North Dakota estimates that they refund between \$500,000 and \$1 million per fiscal year.
- North Dakota has a lower sales tax rate than Minnesota, but Minnesota exempts more consumer purchases, such as clothing and sewing materials.
- It is likely that the refunds in Minnesota will be similar in size to the North Dakota refunds of approximately \$1 million per fiscal year.
- Refunds are projected to increase at an annual rate of 2.5%.
- This bill applies to purchases made after December 31, 2010. People may not have receipts for all their purchases back to January 1, 2011. Two-thirds of the potential refunds for the retroactive period are included in the fiscal year 2013 estimate.

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