MINNESOTA · REVENUE

SALES AND USE TAX
Repeal Sales Tax Exemption for
Clothing over $200

January 15, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 9 (Rest)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
Total – All Funds	Unknown	Unknown	Unknown	Unknown

Effective for clothing sales made after June 30, 2013.

EXPLANATION OF THE BILL

This bill would modify the clothing sales tax exemption.   Only the first $200 of the sales price of any article of clothing would be exempt. Any sales price over $200 would be subject to the sales tax.

The bill would also change the general fund sales tax rate to an unspecified rate.

REVENUE ANALYSIS DETAIL

- The current estimate for taxing all clothing is approximately $330 million for fiscal year 2014.
- Massachusetts has a similar provision and exempts the first $175 of the sales price of an article of clothing. The Massachusetts Department of Revenue has been contacted for information related to the provision but has not yet responded.
- The State of New York currently taxes clothing with a sales price greater than $110 per item. If the price is over $110, the entire price is taxable, not just the amount over $110. They estimate that this is approximately 20% to 25% of the clothing market.
- This bill would tax a smaller portion of clothing sales than is the case in New York due to both the higher threshold and the fact that only the amount over $200 would be taxed.
- The Department currently does not have information on which to base an estimate but is exploring the purchase of clothing sales data from an outside company. It is unknown at this time when this data may be available.
- The impact of the bill will be estimated as further information becomes available. For example, if 10% of sales become taxable, the revenue gain would be about $30 million.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.revenue.state.mn.us/research_stats/Pages
/Revenue-Analyses.aspx