

# MINNESOTA • REVENUE

## SALES TAX Up-Front Capital Equipment

January 25, 2013

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of SF 95 (Wiger)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2014</u></b>	<b><u>F.Y. 2015</u></b>	<b><u>F.Y. 2016</u></b>	<b><u>F.Y. 2017</u></b>
			(000's)	
General Fund (6.5%)	(\$83,600)	(\$46,100)	(\$25,400)	(\$20,700)
Natural Resources and Arts Funds (0.375%)	<u>(\$4,800)</u>	<u>(\$2,700)</u>	<u>(\$1,500)</u>	<u>(\$1,200)</u>
Total – All Funds	(\$88,400)	(\$48,800)	(\$26,900)	(\$21,900)

Effective for sales and purchases made after June 30, 2013

### EXPLANATION OF THE BILL

The bill would allow businesses to obtain a sales tax exemption on qualifying capital equipment at the time of purchase or lease, without going through the refund process required under current law.

### REVENUE ANALYSIS DETAIL

- The estimates are based on the November 2012 forecast of sales tax refunds.
- The estimates assume that 5% of current eligible refunds are not claimed and would now use the up-front exemption.
- The estimates are adjusted to account for tax refunds on purchases made before July 1, 2013, which will be paid after the proposal takes effect. A portion of the refunds paid each year reflects tax paid in previous years. Businesses have 3 ½ years from the date of purchase or lease to file refund claims.
- The estimate for fiscal year 2014 was adjusted for the July 1, 2013, effective date (eleven months of impact in the first year).

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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