

# MINNESOTA • REVENUE

## SALES AND USE TAX Snack Foods

March 12, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 1249 (Newton) As Proposed to be Amended (H1249A1)

	<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)			
Impose Sales Tax on Snack Food	\$6,900	\$7,800	\$8,100	\$8,400
Exemption for Fund-Raising Sales	<u>(\$770)</u>	<u>(\$880)</u>	<u>(\$910)</u>	<u>(\$940)</u>
General Fund Net Impact	\$6,130	\$6,920	\$7,190	\$7,460
Impose Sales Tax on Snack Food	\$400	\$450	\$470	\$480
Exemption for Fund-Raising Sales	<u>(\$40)</u>	<u>(\$50)</u>	<u>(\$50)</u>	<u>(\$50)</u>
Natural Resources and Arts Funds Net Impact	\$360	\$400	\$420	\$430
Total – All Funds	\$6,490	\$7,320	\$7,610	\$7,890

Effective for sales or purchases made after June 30, 2013.

### EXPLANATION OF THE BILL

This bill would make items defined as snack food subject to the sales tax. As proposed to be amended, snack food items include potato chips, corn chips, pretzels, cheese puffs, pork rinds, and popped popcorn sold in individual packages or a group of packages in which each individual package contains not more than 8 ounces. Snack food would also include licorice, ice cream novelties, cookies, cakes, pies, donuts and other pastries.

The amendment would include snack food in the sales tax exemption for candy sales by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

### REVENUE ANALYSIS DETAIL

- Consumer spending on savory snacks in the United States in 2011 from MarketLine is used as the basis for this estimate.
- The 2011 Consumer Expenditure Survey is used to provide market share data.
- National spending numbers are apportioned to Minnesota using Minnesota's population share, 1.72%.

**REVENUE ANALYSIS DETAIL (Cont.)**

- Popped popcorn is assumed to be 10% of the total popcorn market.
- Packages 8 ounces or less are assumed to be 15% of the market.
- Ice cream novelties are assumed to be 20% of the ice cream market.
- Licorice is assumed to be 1% of the candy market.
- The exemption for nonprofit organizations is based on 2012 US Girl Scout cookie sales scaled to MN and increased by 10% to account for other organizations.
- The percent increase in consumer spending on food and beverages (off-premises) from the February 2013 IHS Global Insight forecast is used as the growth factor in this estimate.
- The revenue impact for fiscal year 2014 reflects an effective date of July 1, 2013, eleven months of collections.

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