SALES AND USE TAX
Restaurant Capital Equipment
Complimentary and Employee Meals

April 8, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1660 (Davids) / S.F. 1503 (Tomassoni)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
Restaurant Equipment (6.5%)	($1,700)	($3,400)	($3,300)	($3,300)
Complimentary Meals and Drinks (6.5%)	($570)	($640)	($660)	($680)
Liquor Gross Receipts Tax (2.5%)	($220)	($250)	($250)	($260)
General Fund Total	($2,490)	($4,290)	($4,210)	($4,240)
Restaurant Equipment (0.375%)	($100)	($190)	($190)	($190)
Complimentary Meals and Drinks (0.375%)	($30)	($40)	($40)	($40)
Natural Resources and Arts Funds Total	($130)	($230)	($230)	($230)
Total – All Funds	($2,620)	($4,520)	($4,440)	($4,470)

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

EXPLANATION OF THE BILL

The bill would expand the capital equipment exemption to include machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared food as defined in M.S. 297A.61, subdivision 31.

The bill would also exempt prepared food and beverages provided by a restaurant to a customer at no cost to the customer. Also, prepared food and beverages provided at no cost to an employee would be exempt. A restaurant for both exemptions is defined as a food or beverage establishment that is open at least 21 days a year and is not a food cart or mobile food unit (M.S. 157.15, subdivision 12). Since the transactions covered by these exemptions do not involve payment for goods, only the inputs that were bought sale for resale create a use tax liability for the bar or restaurant. Most of the inputs into this production process are already exempt as food; liquor is the primary product that would become exempt.

REVENUE ANALYSIS DETAIL

- The capital equipment exemption estimate is based on data from the Department of Revenue's Consumption Tax Model as updated for the February 2013 forecast.
- The estimate assumes that refunds will be paid six months after the date of purchase.

REVENUE ANALYSIS DETAIL (Cont.)

- The calendar year 2010 sales tax statistics provide a value for sales and use tax remittances of the liquor gross receipts tax.
- This estimate assumes that all liquor use tax from restaurants and bars would be exempted by these new sales tax exemptions.
- Projected growth in the liquor gross receipts tax, based on the February 2013 forecast, is used as the inflation factor for the liquor portion of this estimate.
- Fiscal year 2014 estimates are reduced to reflect eleven months of collections.

Number of Taxpayers: Approximately 12,000 taxpayers would be impacted by this bill.

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

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