SALES AND USE TAX
Electric Utility Hookup Charges

April 10, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1453 (Koenen) / H.F. 1696 (Erickson, R.)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
All Funds	$0	$0	$0	$0

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

EXPLANATION OF THE BILL

Current Law: Sales of electricity are normally subject to the sales tax. Several exemptions apply.

Charges to a customer by an electric utility for a contribution in aid to construction are not subject to the sales tax. Only if the contribution is lumped into the bill for electric service (that is, not separately stated) is the charge taxable.

Proposed Law: The bill provides that payments made to an electric cooperative by a customer as a contribution in aid of construction are exempt.

REVENUE ANALYSIS DETAIL

Since the contributions at issue are not taxable, it is assumed that enactment of the bill would have no revenue impact. Electric cooperatives can avoid liability to charge tax by separately stating the contribution in aid amount.

Number of Taxpayers: There are approximately 45 electric cooperatives in Minnesota.

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

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