

MINNESOTA • REVENUE

SALES AND USE TAX Agricultural and Logging Machinery Repair Service

February 25, 2014

Senate Bill Added

Department of Revenue
Analysis of H.F. 1950 (McNamar) / S.F. 1766 (Sparks)

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
	(000's)			
General Fund	(\$13,140)	(\$14,650)	(\$15,050)	(\$15,440)
Natural Resources and Arts Funds	<u>(\$750)</u>	<u>(\$840)</u>	<u>(\$860)</u>	<u>(\$880)</u>
Total – All Funds	(\$13,890)	(\$15,490)	(\$15,910)	(\$16,320)

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

EXPLANATION OF THE BILL

This bill would exempt repair labor for agricultural and logging machinery from the sales and use tax. This repair labor became taxable on July 1, 2013. The bill would allow for the purchaser to claim a refund of any sales and use taxes paid since these services became taxable.

REVENUE ANALYSIS DETAIL

Agricultural Equipment

- This estimate is based on data from the U.S. Department of Agriculture, Economic and Research Service, on repair and maintenance costs for agricultural machinery in Minnesota for calendar year 2012.
- Labor is assumed to be 45% of repair costs.
- Historically, the growth in agricultural equipment repair and maintenance varies greatly from year to year. A 2.5% growth rate is used for this estimate.
- This estimate assumes that any tax paid will be refunded in fiscal year 2014.

Logging Equipment

- The total logging machinery sold in Minnesota is based on Minnesota logging industry data.
- Expenditures on the repair of logging machinery are assumed to be similar to the relationship between purchases of farm equipment and farm equipment repair.
- Labor is assumed to be 45% of repair costs.
- Between 2006 and 2012, Minnesota's annual timber harvest decreased by an average of approximately 3% per year. This annual change is used for this estimate.
- This estimate assumes that any tax paid will be refunded in fiscal year 2014.

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)