

MINNESOTA • REVENUE

SALES AND USE TAX Coin-Operated Amusement Machines

March 24, 2014

	Yes	No
DOR Administrative Costs/Savings	x	

Department of Revenue

Analysis of S.F. 1064 (Sparks), As Proposed to be Amended (SCS1064A-1)

	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	\$0	(\$210)	(\$250)	(\$270)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$10)</u>	<u>(\$15)</u>	<u>(\$15)</u>
Total – All Funds	\$0	(\$220)	(\$265)	(\$285)

As proposed to be amended, the bill is effective for sales and purchases made after June 30, 2014.

EXPLANATION OF THE BILL

Sales and purchases of vending machines, amusement machines, jukeboxes, etc., are currently subject to the sales and use tax.

Under the bill, the sale of coin-operated entertainment and amusement machines, including fortune-telling machines, foosball and pool tables, video and pinball games, photo booths, and jukeboxes, would be defined as a sale for resale and therefore would be exempt from the sales and use tax.

REVENUE ANALYSIS DETAIL

- The estimate was based 2010 data from the Census Bureau publication *Annual Capital Expenditures*. National expenditures on new and used equipment in the amusement, gambling, and recreation sector came to \$3.266 billion.
- It was estimated that the amusement devices at issue are 5% of total capital expenditures.
- The national figure was apportioned to Minnesota at 1.71%, the state's portion of U.S. population according to the 2010 Census.
- Annual growth to 2017 was the historical and projected investment in equipment in the category "other equipment" from IHS Global Insight, Inc., February 2014 edition.
- The estimate for fiscal year 2015 was adjusted to reflect an effective date of July 1, 2014.

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