

MINNESOTA • REVENUE

VARIOUS TAXES Repeal Obsolete Provisions, Other Changes

March 5, 2014

State Taxes Only

Department of Revenue
Analysis of H.F. 2107 (Lenczewski)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	F.Y. 2014	F.Y. 2015	F.Y. 2016	F.Y. 2017
		(000's)		
General Fund	\$0	\$150	\$160	\$170
Natural Resources and Arts Funds	<u>\$0</u>	<u>\$10</u>	<u>\$10</u>	<u>\$10</u>
Total – All Funds	\$0	\$160	\$170	\$180

EXPLANATION OF THE BILL

The bill would repeal obsolete provisions in the Minnesota tax statutes. It would also make other changes to clarify or simplify tax provisions.

REVENUE ANALYSIS DETAIL

Most of the changes made in the bill would not have an impact on state revenues. There are three changes that could have a state revenue impact.

Repeal the corporate franchise tax credit for tax paid to another state

- This credit is rarely used and would likely not have an impact on state revenues.

Repeal the sales tax exemption for purchases of sacramental wine from a religious organization

- This exemption applies in very limited situations and may result in a small revenue gain.

Repeal the sales tax exemption for poultry feed if the poultry is raised for human consumption

- This exemption applies if the purchase does not qualify as an input to agricultural production, meaning that it would apply to people who keep poultry in their backyard for their own use.
- A study by the U.S. Department of Agriculture published in April 2013 found that 0.8% of all households in four large urban areas (none in Minnesota) owned chickens. It is expected that the percentage for the entire state of Minnesota would be higher. If 1.25% of Minnesota homeowners had backyard chickens, the number of households would be about 17,800.
- The average number of chickens per household is not known but is estimated at five, which would be 89,000 chickens. Based on the average amount of feed per chicken per year and average prices, the annual cost of feed is about \$25 per chicken. Based on these assumptions, the total expenditure on poultry feed for backyard chickens would be \$2,225,000, and the sales tax would be about \$150,000. Annual growth of 5% was assumed.

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)