

# MINNESOTA • REVENUE

## SALES AND USE TAX Capital Equipment

March 10, 2014

|                                  | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings |     | X  |

Department of Revenue  
Analysis of H.F. 2119 (Anderson, P.)

|                                  | <b>Fund Impact</b>      |                         |                         |                         |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                  | <b><u>F.Y. 2014</u></b> | <b><u>F.Y. 2015</u></b> | <b><u>F.Y. 2016</u></b> | <b><u>F.Y. 2017</u></b> |
|                                  |                         | (000's)                 |                         |                         |
| General Fund                     | \$0                     | (\$13,500)              | \$11,400                | \$600                   |
| Natural Resources and Arts Funds | <u>\$0</u>              | <u>(\$800)</u>          | <u>\$700</u>            | <u>\$40</u>             |
| Total – All Funds                | \$0                     | (\$14,300)              | \$12,100                | \$640                   |

Effective for purchases made after June 30, 2014.

### EXPLANATION OF THE BILL

**Current Law:** Capital equipment is currently switching from a refund process to an upfront exemption for purchases made after August 31, 2014.

**Proposed Law:** This bill will move the date that capital equipment is switching from a refund process to an upfront exemption from after August 31, 2014, to after June 30, 2014.

### REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2014 forecast of sales tax refunds.
- The estimate assumes that 5% of current eligible refunds are not claimed and would now use the up-front exemption.
- The estimate is adjusted to account for tax refunds on purchases made before July 1, 2014, which will be paid after the proposal takes effect. A portion of the refunds paid each year reflects tax paid in previous years. Businesses have 3 ½ years from the date of purchase or lease to file refund claims.

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)

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