

MINNESOTA • REVENUE

SALES AND USE TAX Trail Grooming Equipment Nonprofit Snowmobile Clubs

March 10, 2014

Department of Revenue
Analysis of H.F. 2436 (Davids) / S.F. 2217 (Jensen)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<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	(\$280)	(\$280)	(\$290)
Natural Resources and Arts Funds	\$0	(\$20)	(\$20)	(\$20)
Total – All Funds	\$0	(\$300)	(\$300)	(\$310)

Effective for sales and purchases made after June 30, 2014.

EXPLANATION OF THE BILL

The bill would exempt sales of tangible personal property to nonprofit snowmobile clubs that is used primarily for the grooming of state or grant-in-aid snowmobile trails from the sales and use tax. The exemption applies to grooming machines, attachments, other associated accessories, and repair parts.

REVENUE ANALYSIS DETAIL

- The Minnesota Department of Natural Resources reports 180 trail associations receiving grant-in-aid monies in fiscal year 2014 and total grants averaging \$8.4 million annually.
- It is reported that the primary equipment purchase is groomer tractors that cost between \$150,000 and \$250,000 new. Other grooming equipment includes drags for attachment to the groomer tractor (\$15,000 to \$30,000 new).
- It is estimated that groomers are replaced on average every 10 years. It is assumed that approximately 18 groomers are replaced annually and the average price of the groomers, including new and used purchases, is \$170,000.
- The estimate is increased by 35% to include other qualifying equipment purchases including accessories and repair parts.
- It is assumed that club equipment expenses increase by 3% annually.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy