MINNESOTA · REVENUE

SALES AND USE TAX
Propane Tanks

March 14, 2014

	Yes	**No**
DOR Administrative Costs/Savings		**X**

Department of Revenue
Analysis of H.F. 2539 (Anderson, P.) / S.F. 2236 (Koenen)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
General Fund	$0	($430)	($440)	($450)
Natural Resources and Arts Funds	$0	($20)	($30)	($30)
Total – All Funds	$0	($450)	($470)	($480)

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

EXPLANATION OF THE BILL

The proposal exempts propane tanks with a propane capacity of at least 100 gallons, and any valves and regulators necessary for use of the propane tank, from sales and use tax when purchased by the user of a tank. The exemption does not apply to the lease of a propane tank from a propane supplier or dealer.

REVENUE ANALYSIS DETAIL

- The bill includes the purchase of propane tanks for commercial or residential use.
- The estimate was based on information from the Minnesota Propane Association, Amerigas, and the American Community Survey.
- An estimated 5,500 propane tanks owned by the user of the tank have the regulator replaced each year at a cost of $300 per regulator.
- An estimated 1,225 tanks for residential or farm use are purchased each year at a cost of $2,000 per tank.
- Given recent propane shortages, it is expected 30 large storage tanks will be purchased in each fiscal year 2015-2017 at a rate of $80,000 per tank.
- The price of propane tanks and regulators is estimated to increase by 2% each year.

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

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