

MINNESOTA • REVENUE

SALES AND USE TAX Residential Heating Fuels

March 11, 2014

Department of Revenue
Analysis of S.F. 1883 (Senjem) / H.F. 2452 (Quam)

	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	(\$2,600)	(\$2,700)	(\$2,900)
Natural Resources and Arts Funds	\$0	(\$200)	(\$200)	(\$200)
Total – All Funds	\$0	(\$2,800)	(\$2,900)	(\$3,100)

Effective for sales and purchases made after June 30, 2014

EXPLANATION OF THE BILL

Current Law: Fuel oil, coal, wood (including wood pellets), steam, hot water, propane gas, and L.P. gas are exempt from sales tax when sold to residential customers for residential use, and this exemption applies for the entire year. Metered natural gas and electricity sold to residential customers who use the energy as their primary source of residential heat are exempt from sales tax for the six month period of November through April.

Proposed Law: The bill would extend the exemption to include biomass sold to residential customers for residential use. Biomass is defined by reference to M.S. 216B.2411, subd. 2, par. (c) and includes corn, barley hulls, wood, and other agricultural products.

REVENUE ANALYSIS DETAIL

- The estimate was based on information from the American Community Survey and the Corn Marketing Program of Michigan.
- It was estimated that in fiscal year 2014, there were 25,000 households using a corn/pellet stove as their primary source of heat, and 30,000 households using a corn/pellet stove as their secondary source of heat.
- It was estimated that households with a corn/pellet stove as their primary source of heat use 200 corn bushel equivalents each year for heating, and households with a corn/pellet stove as a secondary source of heat use 100 bushels a year. An estimated 85% of these bushels are subject to sales and use tax.
- The price of corn or a corn grain/pellet mixture was estimated to be \$4.89 a bushel.
- Total estimated expenditures for corn kernels were calculated and then increased by 15% to include other biomass fuel sources which would be exempted under the bill.
- Annual growth was estimated at 5%.

Number of Taxpayers: An estimated 55,000 households.

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