

January 28, 2019

|                                  |            |           |
|----------------------------------|------------|-----------|
|                                  | <b>Yes</b> | <b>No</b> |
| DOR Administrative Costs/Savings |            | X         |

Department of Revenue  
Analysis of H.F. 351 (Davids) As Proposed to be Amended (H0351A1)

|                                  | <b>Fund Impact</b> |                  |                  |                  |
|----------------------------------|--------------------|------------------|------------------|------------------|
|                                  | <b>F.Y. 2020</b>   | <b>F.Y. 2021</b> | <b>F.Y. 2022</b> | <b>F.Y. 2023</b> |
|                                  |                    |                  | (000's)          |                  |
| General Fund                     | (\$120)            | (\$130)          | (\$140)          | (\$140)          |
| Natural Resources and Arts Funds | (\$10)             | (\$10)           | (\$10)           | (\$10)           |
| Total – All Funds                | (\$130)            | (\$140)          | (\$150)          | (\$150)          |

Effective for sales and purchased made after June 30, 2019.

**EXPLANATION OF THE BILL**

**Current Law:** Purchases of firefighter personal protective gear and repair and replacement parts for emergency rescue vehicles, fire trucks and fire apparatus by a political subdivision are exempt from the sales and use tax.

Volunteer and municipal fire departments may purchase most items used to prevent fire or protect property from fire exempt from sales tax. They can also purchase replacement parts exempt. Fire departments that do not qualify as a local government or a volunteer fire department with exempt status may buy accessory items to initially equip an emergency rescue vehicle exempt from tax, but replacement of these items is taxable.

Accessory items used to initially equip ambulance services registered under Section 144E and repair and replacement parts for ambulances and vehicles equipped and specifically intended for emergency response are exempt.

**Proposed Law:** The bill expands the exemption for firefighter personal protective gear as well as repair and replacement parts for emergency rescue vehicles, fire trucks and fire apparatus to include purchases made by the commissioner of public safety on behalf of one or more political subdivision with funds from the fire safety account.

Purchases by volunteer fire departments would be exempt if the item purchased would be exempt when purchased by a local government and the volunteer fire department is an independent nonprofit association with a federal income tax exemption under section 501(c)3 of the Internal Revenue Code. As proposed to be amended, the exemption also applies to organization with 501(c)4 federal exemption status.

The bill expands the exemption for ambulance supplies to include accessories, equipment, and supplies purchased by a licensed ambulance service and used directly in equipping and supplying or resupplying an ambulance or first responder vehicle.

## **REVENUE ANALYSIS DETAIL**

### *Purchases by the Department of Public Safety*

- Department of Public Safety – Homeland Security and Emergency Management reported information for fiscal year 2020 budget requests. It is estimated that \$630,000 of purchases from the fire safety account would become exempt from the sales and use tax.
- Purchase amounts are assumed to be similar for fiscal years 2021 to 2023. A growth rate of 3% is assumed.

### *Purchase by Fire Departments*

- The estimates are based on information from the Minnesota State Auditors Office and information reported on federal Form 990 for equipment purchases by volunteer fire departments.
- It is assumed that the average spending on equipment purchases is approximately \$150,000 annually and the exemption would apply to 10% of the purchases.

### *Purchases by Ambulance Services*

- The estimates are based on information for ambulance services from the Minnesota Tax Expenditure Budget and Emergency Medical Services Regulatory Board (EMSRB).

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)