

February 19, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 943 (Rest) As Proposed to be Amended (SCS0943A-3)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
	(000's)			
General Fund	(\$6,000)	(\$6,600)	(\$6,800)	(\$6,900)
Natural Resources and Arts Funds	(\$300)	(\$400)	(\$400)	(\$400)
Total – All Funds	(\$6,300)	(\$7,000)	(\$7,200)	(\$7,300)

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

EXPLANATION OF THE BILL

Current Law: The purchase of tangible personal property and certain services by corporations, societies, foundations, and institutions organized and operated exclusively for charitable, religious, or educational purposes are exempt from the sales and use tax. The goods and services acquired must be used in the performance of the organization’s charitable, religious, or educational functions. To qualify for the exemption, organizations must meet certain qualifications, which generally include being exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Proposed Law: As proposed to be amended, the bill would expand the definition of nonprofit organizations to include all organizations that have a current federal determination letter stating that they qualify as an exempt organization under section 501(c)(3) of the Internal Revenue Code and a Minnesota tax identification number. The exemption would not apply to veterans groups, hospitals, outpatient surgical centers, critical access dental providers, and nursing homes or boarding care homes. Purchases by a nonprofit organization would be exempt if the item is used in the performance of the organization’s exempt function.

REVENUE ANALYSIS DETAIL

- The IRS reports that there were approximately 35,700 organizations in Minnesota with a 501(c) designation in 2018. Approximately 26,700 are 501(c)(3) organizations.
- It is estimated that the number of nonprofit organizations registered with the Department of Revenue as a qualifying 501(c)(3) organization would increase by approximately 1,900.
- It is assumed that exempt purchases by nonprofit organizations will increase by 3% annually.
- The fiscal year 2019 estimates are adjusted for eleven months of impact.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx