

March 4, 2020

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 732 (Little) As Proposed to be Amended (SCS0732A-3)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
General Fund	\$0	(\$3,500)	(\$3,800)	(\$3,800)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$200)</u>	<u>(\$200)</u>	<u>(\$200)</u>
Total – All Funds	\$0	(\$3,700)	(\$4,000)	(\$4,000)

Assumed effective for sales and purchases made after June 30, 2020.

EXPLANATION OF THE BILL

Current Law: Farm machinery is exempt from the sales and use tax. Farm machinery is defined as new and used machinery, equipment, implements, accessories, and contrivances used directly and principally in agricultural production. Examples of farm machinery include barn cleaners, milking systems, grain dryers, and feeding systems. Farm machinery does not include grain bins.

Proposed Law: The bill would add grain bins to the definition of exempt farm machinery. The bill would also exempt construction materials and supplies used to construct or improve grain bins that do not qualify as farm machinery.

REVENUE ANALYSIS DETAIL

- The United States Department of Agriculture Grain Stocks Report estimates 1.5 billion bushels of on-farm grain storage and 800 million bushels of off-farm grain storage in Minnesota.
- Based on information from agricultural sources, it is estimated that 400 bins are sold per year and cost \$100,000 each.
- The estimates are adjusted to include construction materials and supplies for grain bins that do not qualify as farm machinery.
- The estimates assume a 0.5% annual growth in grain bin expenditures.
- The estimates for fiscal year 2021 are adjusted for eleven months of collections.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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