

March 6, 2023

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

Department of Revenue  
Analysis of S.F. 1063 (Westrom) / H.F. 1793 (Anderson)

	<b>Fund Impact</b>			
	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
General Fund	(\$12,250)	(\$2,200)	(\$2,300)	(\$2,350)
Natural Resources and Arts Funds	(\$700)	(\$150)	(\$100)	(\$150)
Total – All Funds	(\$12,950)	(\$2,350)	(\$2,400)	(\$2,500)

Effective retroactively for sales and purchases made after July 2017.

**EXPLANATION OF THE BILL**

**Current Law:** Fiber and conduit purchased or leased by a telecommunication or pay television services for use primarily in the provision of telecommunications or pay television services is exempt from Minnesota sales and use tax.

**Proposed Law:** The bill, as proposed to be amended, would exempt the purchase or lease of fiber and conduit for use directly by a broadband or Internet service provider primarily in the provision of broadband or Internet access services.

**REVENUE ANALYSIS DETAIL**

- This estimate is based on telecommunications expenditures from the 2017 Annual Capital Expenditures Survey from the U.S. Census.
- National expenditure data is scaled to Minnesota based on Minnesota’s share of telecommunications gross domestic product.
- Growth rates published by IHS Global Insights, Inc. for telecommunications equipment expenditures are used to project future expenditures in Minnesota.
- Fiber and conduit are assumed 30% of total telecommunications expenditures
- It is assumed that use of fiber and conduit primarily in the provision of broadband or internet access service is 50% of the total market.
- Total equipment expenditures are reduced by 15% to account for labor costs.
- It is assumed that the refunds for the retroactive period will be claimed in fiscal year 2024.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>