

March 7, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1873 (Rest) / H.F. 2230 (Lislegard)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$13,220)	(\$1,370)	(\$1,400)	(\$1,430)
Natural Resources and Arts Funds	(\$760)	(\$80)	(\$80)	(\$80)
Total – All Funds	(\$13,980)	(\$1,450)	(\$1,480)	(\$1,510)

Effective retroactively for sales and purchases made after June 30, 2022.

EXPLANATION OF THE BILL

Current Law: The sale of the privilege of admission to a place of amusement or athletic event does not include consideration paid for a license to use a private suite, skybox, or box seat. The sale of the license is exempt provided that certain criteria are met. Food and beverages included in the sale of the license are taxable. A bundled transaction is taxable if one or more of the products is taxable. Amenities included with the privilege of admission are taxable. Gross receipts from sales may be reported on the accrual basis as sales are made.

Proposed Law: The bill provides an exemption for the sale of food and beverages included in the consideration paid for a suite license or preferred viewing location. The proposal also provides an exemption for the sale of amenities, including, but not limited to, food and beverages, parking services, and promotional items, that are included in the sales price of the privilege of admission to athletic events and places of amusement. The sale of amenities would be exempt when sold by a seller of the privilege of admission. The taxability of bundled transactions would not apply to suite licenses or the right to purchase season tickets to collegiate events. For sales of the privilege of admission to places of amusement and athletic events, the bill would allow accrual to occur at the time the event occurs.

REVENUE ANALYSIS DETAIL

Suite License Food and Beverages

- The 2022 Minnesota Tax Expenditure Budget provided information for the estimates.
- It is estimated that 10% of suite license and preferred seating sales are attributable to food and beverages included in the consideration paid for the suite license or preferred seating admission.

Amenities Included with Admission

- According to information from the Federal Reserve Bank of St. Louis, national spectator sports admissions totaled approximately \$12 billion in 2019, and national performing arts admissions totaled approximately \$6.4 billion in 2019.
- National amounts were apportioned to Minnesota at 2.4%, based on Minnesota’s personal consumption expenditures on recreational services from the Bureau of Economic Analysis.

REVENUE ANALYSIS DETAIL (Cont.)

- It is assumed that 2% of spectator sports admissions and 1% of performing arts admissions would be impacted by the proposal.

Gross Receipts Reporting

- Information for the estimates comes from Department of Revenue sales tax data.
- It is estimated that between 25% and 90% of affected taxpayers' revenue would be shifted based on the proposal.

Minnesota Department of Revenue
Tax Research Division
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