

January 28, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 345 (Klein) As Proposed to be Amended (SCS0345A-1)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	(\$310)	(\$770)	(\$800)	(\$830)
Natural Resources and Arts Funds	<u>(\$20)</u>	<u>(\$40)</u>	<u>(\$50)</u>	<u>(\$50)</u>
Total – All Funds	(\$330)	(\$810)	(\$850)	(\$880)

Effective for sales and purchases made after December 31, 2025.

EXPLANATION OF THE BILL

Current Law: Sales to a nonprofit organization are exempt if the organization is a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes. Items purchased must be used in the performance of charitable, religious, or educational functions to qualify for the exemption.

Proposed Law: The bill would create a sales tax exemption for nonprofit bird preservation organizations. Sales to a bird preservation organization would be exempt if the items are used in Minnesota to develop, preserve, restore, or maintain waterfowl or upland game bird habitats. A bird preservation organization is defined as a nonprofit organization whose primary purpose is to support the life cycle of waterfowl or upland game birds through developing, preserving, restoring, or maintaining habitats in Minnesota and is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code. The exemption would not apply to building, construction, or reconstruction materials, lodging, or the leasing of a motor vehicle.

REVENUE ANALYSIS DETAIL

- The estimates were derived from information on Form 990's for bird preservation organizations.
- It is estimated that habitat development expenses for identified bird preservation organizations in Minnesota were \$8.8 million in 2022.
- The estimates were increased 10% to account for additional organizations that would qualify for the exemption.
- Growth rates were assumed based on historical habitat development expenses for identified bird preservation organizations in Minnesota.
- The fiscal year 2026 estimates were adjusted for five months of collections.

Minnesota Department of Revenue
Tax Research Division
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