

January 28, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 455 (Nelson) As Proposed to be Amended (SCS0455A-2)

	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	(\$50)	(\$50)	(\$50)	(\$60)
Natural Resources and Arts Funds	(Negl.)	(Negl.)	(Negl.)	(Negl.)
Total – All Funds	(\$50)	(\$50)	(\$50)	(\$60)

Effective for sales and purchases made after June 30, 2025.

EXPLANATION OF THE BILL

Current Law: Sales to hospitals, outpatient surgical centers, critical access dental providers, and blood centers are exempt. Certain sales remain taxable to these entities.

Proposed Law: The bill would extend the exemption to certain nonprofit physical rehabilitation clinics. A nonprofit physical rehabilitation clinic is defined as a 501(c)(3) providing physical therapy, occupational therapy, or speech therapy, whose patients covered by medical assistance or MinnesotaCare are at least 50% of all patients, provide at least 10,000 patient encounters in the most recent calendar year with patients uninsured or covered by medical assistance, offer a sliding scale for payment, and has no more than 15% of patients covered by private health insurance.

REVENUE ANALYSIS DETAIL

- According to the exempt organizations business master file from the Internal Revenue Service, there were nineteen 501(c)(3) rehabilitative medical service organizations in Minnesota.
- It is assumed that a portion will qualify for the exemption.
- It is estimated that qualifying organizations spent approximately \$740,000 in fiscal year 2023 on items that would become exempt.
- Growth rates from the November forecast for health care spending are used to grow the estimates.
- The fiscal year 2026 estimates are adjusted for eleven months of collections.

Minnesota Department of Revenue
Tax Research Division
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