

February 4, 2025

Preliminary Estimates

Department of Revenue
Analysis of S.F. 749 (Coleman)

	Yes	No
DOR Administrative Costs/Savings		X

	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	(\$36,000)	(\$40,310)	(\$41,170)	(\$42,040)
Natural Resources and Arts Funds	(\$2,080)	(\$2,330)	(\$2,380)	(\$2,430)
Total – All Funds	(\$38,080)	(\$42,640)	(\$43,550)	(\$44,470)

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

EXPLANATION OF THE BILL

Current Law: School supplies and book bags are generally taxable under the sales and use tax.

Proposed Law: The bill would exempt school supplies from the sales and use tax. The bill defines examples of what would qualify as school supplies. Book bags with a retail price of \$60 or less would also qualify. School supplies specifically do not include stationery, wrapping paper, adhesive products not generally used in schools by children, and backpacks generally designed for hiking or camping. The exemption would apply to anyone who purchases school supplies. This estimate assumes that paper products purchased by businesses would not be exempted.

REVENUE ANALYSIS DETAIL

- According to a back-to-school survey of spending by KPMG, the average spending per child was \$313 in 2023.
- The average spending was reduced to account for items that would not qualify under the bill.
- According to the U.S. Census Bureau, there were approximately 1.5 million children of school age in Minnesota in 2023.
- The estimates were increased to account for spending outside the back-to-school period.
- The estimates were increased to account for purchases of exempt products for non-school purposes, such as calculators, pens, and pencils.
- The estimates were increased to account for spending by teachers.
- IHS growth rates for core consumer prices were used to grow the estimates.
- The fiscal year 2026 estimates were adjusted for eleven months of collections.
- It is assumed that paper products purchased by businesses would not be exempted.

Minnesota Department of Revenue
Tax Research Division
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