

April 6, 2026

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 4787 (Rest) As Proposed to be Amended (SCS4787A-2)

	Fund Impact			
	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
	(000's)			
General Fund				
Rate Reduction	\$0	(\$104,400)	(\$159,400)	(\$162,500)
Select Consumer Services added to base	\$0	\$183,100	\$296,600	\$320,300
Interaction of Rate and Base Changes	\$0	(\$3,500)	(\$5,700)	(\$6,200)
Motor Vehicle Lease Transfers	\$0	\$1,100	\$1,710	\$1,790
Auto Parts Sales Tax Transfer	\$0	\$2,340	\$3,740	\$3,900
Rental Car Sales Tax Transfer	\$0	\$330	\$510	\$540
Lottery Transfers	\$0	\$520	\$810	\$810
Fireworks Transfer	\$0	Negl.	\$10	\$10
General Fund Total	\$0	\$79,490	\$138,280	\$158,650
Natural Resources and Arts Funds	\$0	\$10,600	\$17,100	\$18,500
County State Aid Highway Fund	\$0	(\$420)	(\$650)	(\$680)
Transit Assistance Fund	\$0	(\$420)	(\$650)	(\$680)
HUTD* Fund (leases)	\$0	(\$120)	(\$190)	(\$200)
Special Revenue Funds (leases)	\$0	(\$140)	(\$220)	(\$230)
HUTD Fund (auto parts)	\$0	(\$1,980)	(\$2,670)	(\$2,270)
Special Revenue Fund (auto parts)	\$0	(\$360)	(\$1,070)	(\$1,630)
HUTD Fund (rental cars)	\$0	(\$330)	(\$510)	(\$540)
Game and Fish Fund (lottery)	\$0	(\$240)	(\$370)	(\$370)
Natural Resources Fund (lottery)	\$0	(\$270)	(\$420)	(\$420)
Special Revenue Fund (lottery)	\$0	(\$10)	(\$20)	(\$20)
Special Revenue Fund (fireworks)	\$0	(Negl.)	(\$10)	(\$10)
Housing Assistance Fund	\$0	\$4,200	\$6,900	\$7,400
Special Revenue Fund	\$0	\$2,200	\$3,500	\$3,800
Total – All Funds	\$0	\$92,200	\$159,000	\$181,300

*HUTD = Highway User Tax Distribution

Effective for sales and purchases made after September 30, 2026.

EXPLANATION OF THE BILL

Current Law: The sales and use tax is imposed on gross receipts from retail sales except certain products and services and the revenue is deposited in the state’s general fund. The calculation of the cigarette sales tax is directly tied to the state sales and use tax rate.

Proposed Law: The bill, as proposed to be amended, would reduce the General Fund rate to 6.375% from the current 6.5% and would make advertising services taxable for both businesses and consumers. The rate used to calculate the cigarette sales tax would remain 6.875%. The bill, as proposed to be amended, defines advertising services as all digital and nondigital advertising services, except for services rendered in respect to printing, publishing, radio, and television. Advertising services include out-of-home advertising, design services, rendering advice to a client and online referrals. Advertising services does not include services rendered in respect to advertising produced for printing newspapers, periodicals, and magazines, publishing, radio broadcasting, and television broadcasting, web hosting services and domain name registration, and services rendered in respect to advertisements produced for direct mail.

REVENUE ANALYSIS DETAIL

- Estimates are based on the Department of Revenue's Consumption Tax model.
- Based on industry reports, it is estimated that about 80% of advertising services would be taxable under the proposal.
- The model output is reduced by 10% to account for potential definitional differences between the model and the proposal.
- The estimates are grown based on industry outlook about digital advertising over the forecast period.
- FY 2027 estimates are adjusted for eight months of collections.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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