

February 8, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 474 (Huot) / S.F. 103 (Clausen)

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	(\$640)	(\$670)	(\$690)	(\$720)
Natural Resources and Arts Funds	(\$40)	(\$40)	(\$40)	(\$40)
Total – All Funds	(\$680)	(\$710)	(\$730)	(\$760)

Effective for sales and purchases made after the date of final enactment.

EXPLANATION OF THE BILL

Current Law: Prior to July 2019, fundraising sales made by an educational or social nonprofit organization for people age 18 and under had a sales tax exemption provided the proceeds from the activities were not deposited with the school district treasurer. A 2019 law change to conform with federal accounting standards required fundraising sales made by schools and school-run groups for extracurricular activities to be deposited with the school district treasurer. The 2019 law change created the unintended effect of negating the sales tax exemption for certain fundraising activities.

Proposed Law: The bill would reverse the unintended effect of the recent law change on the sales tax exemption for fundraising sales. The sales tax exemption would again apply to educational or social nonprofit organizations for people age 18 and under, regardless of the accounting with the school district treasurer. The proposed change would require that: 1) the fundraising sales are for elementary and secondary school student activities, and 2) the school district reserves and spends revenues raised by a particular extracurricular activity only for that activity.

REVENUE ANALYSIS DETAIL

- Other sales tax exemptions apply to certain fundraising sales including candy, food, clothing, and coupon books, which limited the impact of the legislative change.
- The 2018 Minnesota Tax Expenditure Budget Report reported a tax expenditure estimate for fundraising sales by nonprofits of \$13.2 million for fiscal year 2021. Based on information from the Minnesota Department of Education, it is estimated that 5% of the tax expenditure would be exempt under the proposal.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>