

March 2, 2021

| | | |
|---|------------|-----------|
| | Yes | No |
| DOR Administrative Costs/Savings | | X |

Department of Revenue
Analysis of H.F. 1201 (Lippert) As Proposed to be Amended (H1201A1)

| | Fund Impact | | | |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2022</u> | <u>F.Y. 2023</u> | <u>F.Y. 2024</u> | <u>F.Y. 2025</u> |
| | (000's) | | | |
| General Fund | (\$850) | (\$950) | (\$970) | (\$990) |
| Natural Resources and Arts Funds | <u>(\$50)</u> | <u>(\$50)</u> | <u>(\$60)</u> | <u>(\$60)</u> |
| Total – All Funds | (\$900) | (\$1,000) | (\$1,030) | (\$1,050) |

Effective for sales and purchases made after June 30, 2021.

EXPLANATION OF THE BILL

The bill creates a sales and use tax exemption for sales of prepared food to nonprofit organizations that sponsor or manage meals through the federal Child and Adult Care Food Program (CACFP) or the Summer Food Service Program (SFSP) to unaffiliated sites and centers. An unaffiliated center is one in which the sponsor and the site are operated by different legal entities. Only prepared food purchased from a caterer or other business under contract with the nonprofit and used directly in the CACFP or SFSP would qualify for the exemption.

REVENUE ANALYSIS DETAIL

- The enrollments and meal costs are based on CACFP and SFSP information received from the Minnesota Department of Education and federal reimbursement rates.
- It is estimated that qualifying CACFP sites daily enrollment is 7,700. The 2020-2021 reimbursement rates are \$1.89 for breakfast, \$3.76 for lunch and supper, and \$0.96 for snacks.
- Most CACFP sites are open five days a week. At-risk after school sites are typically not open during the summer months. The estimates assume meals are served 180 days per year at qualifying childcare centers.
- It is estimated that average daily attendance at qualifying SFSP programs is 34,000. The 2021 reimbursement rates are \$2.42 for breakfast, \$4.25 for lunch and supper, and \$1.00 for snacks. The estimates assume meals are served 50 days per year at qualifying sites.
- Growth rates for consumer prices from IHS Markit are applied.
- The estimates for fiscal year 2022 are adjusted for eleven months of collections.

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