

March 31, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4422 (Sandstede) As Proposed to be Amended (H4422A1)

	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	\$0	(\$13,150)	(\$2,900)	(\$3,050)
Natural Resources and Arts Funds	\$0	(\$850)	(\$200)	(\$200)
Total – All Funds	\$0	(\$14,000)	(\$3,100)	(\$3,250)

Effective retroactively for sales and purchases made after July 2017.

EXPLANATION OF THE BILL

Current Law: Fiber and conduit purchased or leased by a telecommunication or pay television services for use primarily in the provision of telecommunications or pay television services is exempt from Minnesota sales and use tax.

Proposed Law: The bill, as proposed to be amended, would exempt the purchase or lease of fiber and conduit for use directly by a broadband or Internet service provider primarily in the provision of broadband or Internet access services.

REVENUE ANALYSIS DETAIL

- This estimate is based on telecommunications expenditures from the 2017 Annual Capital Expenditures Survey from the U.S. Census.
- National expenditure data is scaled to Minnesota based on Minnesota’s share of telecommunications gross domestic product.
- Growth rates published by IHS Global Insights, Inc. for telecommunications equipment expenditures are used to project future expenditures in Minnesota.
- Fiber and conduit are assumed 30% of total telecommunications expenditures
- It is assumed that use of fiber and conduit primarily in the provision of broadband or internet access service is 50% of the total market.
- Total equipment expenditures are reduced by 15% to account for labor costs.
- It is assumed that the refunds for the retroactive period will be claimed in fiscal year 2023.

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