

February 22, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 921 (Baker) / S.F. 1318 (Nelson)

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	(\$17,300)	(\$7,800)	(\$7,900)	(\$8,100)
Natural Resources and Arts Funds	<u>(\$1,000)</u>	<u>(\$400)</u>	<u>(\$500)</u>	<u>(\$500)</u>
Total – All Funds	(\$18,300)	(\$8,200)	(\$8,400)	(\$8,600)

Effective retroactively for sales and purchases made after December 31, 2019.
For sales and purchases after February 29, 2020, and before January 1, 2022, additional items included.

EXPLANATION OF THE BILL

Current Law: The sales and use tax exemption for capital equipment excludes machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared food.

Proposed Law: The bill expands the sales and use tax exemption for capital equipment to include machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared food.

For sales and purchases made after February 29, 2020, and before January 1, 2022, the bill includes all materials, supplies, or equipment used by restaurants to adapt to health guidelines or any executive order related to the infectious disease COVID-19, including tents, dividers, and plexiglass.

REVENUE ANALYSIS DETAIL

- The estimates are based on U.S Census Bureau information from the 2018 Annual Capital Expenditures Survey.
- It is assumed that businesses have reduced their planned capital equipment investment and partially substituted spending on COVID-19 related safety requirements. Calendar years 2020 and 2021 capital spending amounts are reduced by 80% and 60%. For subsequent years, it is assumed that capital equipment investment returns to pre-pandemic levels and increases by 2% annually.
- Based on information from Hospitality Minnesota, it is assumed that the total sales tax impact for purchases of qualifying equipment to adapt to COVID-19 health guidelines is \$8.6 million in fiscal years 2020 and 2021.
- It is assumed that the capital equipment refund process will be used for all refund claims. It is assumed that retroactive fiscal year 2020 and 2021 refund claims will be paid in fiscal year 2022.

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