

HOUSE RESEARCH

Bill Summary

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Authors: Fabian and others

Subject: Provides an upfront capital equipment exemption for small businesses

Analyst: Pat Dalton

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All businesses engaged in manufacturing, fabricating, mining refining, and data retrieval services may purchase capital equipment exempt from sales tax; however they must pay the sales tax at the time of purchase and then apply for a refund. A business is limited to filing no more than twice per year for capital equipment refunds.

The capital equipment refund requirement is a holdover from the time when the tax exemption on capital equipment was only a partial refund and only capital equipment used for new or expanding business was exempt; replacement capital equipment was subject to the full sales tax.

This bill allows businesses that meet the standard statutory definition of "small business" to purchase capital equipment without paying the tax, eliminating the refund process. The definition of a qualifying small business is a business that is not an affiliate or subsidiary of a business dominant in its field of operation and meets one of the following criteria:

(1) has 20 or fewer full-time employees; or

(2) in the preceding fiscal year has not had more than the equivalent of \$1,000,000 in annual gross revenues; or

(3) if the business is a technical or professional service, shall not have had more than the equivalent of \$2,500,000 in annual gross revenues in the preceding fiscal year.

The upfront exemption is effective beginning July 1, 2012.