

March 14, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3691 (Nelson)

	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	(\$5,180)	(\$2,380)	(\$2,380)
Natural Resources and Arts Funds	\$0	(\$300)	(\$140)	(\$140)
Total – All Funds	\$0	(\$5,480)	(\$2,520)	(\$2,520)

Effective retroactively for fees applied to sales and purchases of natural gas made after February 12, 2021, and before February 18, 2021, that are billed from September 1, 2021, to December 31, 2026.

EXPLANATION OF THE BILL

Current Law: Natural gas used as a primary source for residential heating is exempt from the sales and use tax for the billing months of November through April. Any fees associated with the sale of natural gas during those billing months is also exempt.

Proposed Law: The bill would provide a sales and use tax exemption for certain fees related to natural gas sold to residential customers for the billing months of May to October. To qualify for the exemption, the fees must be separately stated and labeled as a fee subject to a cost recovery plan for the price increase in natural gas during the period February 13, 2021, to February 17, 2021. For fees exempt from September 1, 2021, to June 30, 2022, the utilities would apply for a refund and credit them to the applicable customers.

REVENUE ANALYSIS DETAIL

- Information for the estimates came from documents filed with Public Utilities Commission.
- There is a total of approximately \$660 million to be recovered in fees by four impacted utilities.
- It is assumed that all refunds for fees billed from September 1, 2021, to June 30, 2022 would be paid in fiscal year 2023.
- There would be additional fiscal impacts beyond fiscal year 2025.

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