

March 28, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3309 (Demuth) / S.F. 3018 (Howe)

	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	(\$770)	(\$890)	(\$950)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$40)</u>	<u>(\$50)</u>	<u>(\$50)</u>
Total – All Funds	\$0	(\$810)	(\$940)	(\$1,000)

Effective for sales and purchases made after June 30, 2022.

EXPLANATION OF THE BILL

The bill provides a sales and use tax exemption for certain diagnostic testing kits and equipment. Diagnostic testing kit and equipment is defined in the bill as:

- 1) A test or device available at retail as a single item for use by an individual that requires observation of data or self-collection of a biological sample and subsequent interpretation of the data or test results by the individual following written or visual instructions and without assistance or instruction from any trained personnel; or
- 2) a test available for purchase at retail as a single item for use by an individual that requires the individual to collect a biological sample that must be mailed or otherwise delivered to a laboratory or clinic for analysis but does not include a test for purposes of DNA analysis.

REVENUE ANALYSIS DETAIL

- It is estimated that the United States home diagnostic testing kit industry totaled \$840 million in 2021 based on industry reports.
- The United States industry total is apportioned to Minnesota at 1.8%.
- The estimates are reduced to account for diagnostic testing kits and equipment already exempt.
- A compound annual growth rate of 6.4% is used to grow the estimates based on industry reports.
- The fiscal year 2023 estimates are adjusted to reflect eleven months of collections.

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