

March 6, 2024

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue
Analysis of H.F. 4449 (Youakim) /S.F. 4389 (Klein)

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Tree Removal Services	\$0	(\$5,490)	(\$6,190)	(\$6,390)
Detachable units	\$0	\$300	\$330	\$330
Operable Roofing Systems	<u>\$0</u>	<u>(\$280)</u>	<u>(\$100)</u>	<u>(\$110)</u>
General Fund Total	\$0	(\$5,470)	(\$5,960)	(\$6,170)
Tree Removal Services	\$0	(\$850)	(\$360)	(\$370)
Detachable units	\$0	\$50	\$20	\$20
Operable Roofing Systems	<u>\$0</u>	<u>(\$20)</u>	<u>(\$10)</u>	<u>(\$10)</u>
Natural Resources and Arts Funds Total	\$0	(\$820)	(\$350)	(\$360)
Total – All Funds	\$0	(\$6,290)	(\$6,310)	(\$6,530)

Effective for sales and purchases of the tree removal services and detachable units sales after June 30, 2024.

Effective retroactively for sales and purchases of operable roofing system made after June 30, 2019.

EXPLANATION OF THE BILL

Current Law: Most lawn and gardening services are taxable, except when they are part of an initial land clearing project. Purchases of separate detachable units attached to a machine used for providing lawn care services are currently exempt when they are used to provide the taxable service. Materials used in the construction of an operable roof venting system are taxable. Concrete used in construction of climate control irrigation system is also taxable.

Proposed Law: The bill expands to include tree, bush, shrub, and stump removal services to be exempt even when they are not part of the land clearing project. The detachable accessories and tools used to provide the service do not qualify for exemption.

Materials used to construct an operable roof venting system are exempt. Materials used to construct the roof remain taxable. Concrete used in construction of climate control and irrigation systems so long as the systems qualify for the farm machinery exemption, also qualifies for an exemption.

REVENUE ANALYSIS DETAIL

Tree removal services

- Based on industry sources tree removal services in Minnesota is estimated at \$144 million for calendar year 2023.
- It is estimated services impacted by the bill to be about \$86.4 million.
- Fiscal Year 2025 is adjusted for eleven months of collection.

Detachable Units

- Based on industry sources the entire parts and attachment share for lawn and garden equipment market in Minnesota is estimated at \$12.6 million.
- It is assumed that 50% constitutes the detachable units with an ordinary useful life of less than 12 months.
- It is assumed that about 80% of the detachable units are purchased by businesses offering lawn care services.
- Fiscal Year 2025 is adjusted for eleven months of collection.

Operable Roofing System

- It is assumed that very few properties would be eligible for this exemption.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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