

STATE OF MINNESOTA

**In the Matter of the Proposed Adoption of
Amendments to the Sales and Use Tax Rule
Relating to Producing, Fabricating, Printing,
or Processing Property Furnished by
Consumer (Minnesota Rule Part 8130.0700)**

**STATEMENT OF NEED
AND
REASONABLENESS**

GENERAL STATEMENT

The document has been prepared as a verbatim affirmative presentation of the facts necessary to establish the authority, need for and reasonableness of the proposed rule. It is submitted pursuant to Minnesota Statutes, section 14.23 and Minnesota Rules, parts 1400.0500 and 2010.0300 requiring a statement of Need and Reasonableness.

A Notice of Intent to Solicit Outside Opinion regarding Sales and Use Tax Rule on producing, fabricating, printing, or processing property furnished by consumer, was published in the *State Register* on October 12, 1992. The notice specifically mentioned this rule and invited interested parties to submit comments or suggestions in writing to the Department by November 12, 1992 (17 SR 799). No comments or suggestions were submitted.

This amended rule is necessary to reflect current administration policy of the sales and use taxation of producing, fabrication, and processing services of property furnished by a consumer. The original rule was adopted in 1972. The amendments to this rule are necessary to reflect changes in the application of the rule resulting from subsequent court cases and administrative interpretation.

**The Legislative Commission to
Review Administrative Rules**

OCT - 8 1993



The amended rule provides numerous new standards in the general application of this sales and use tax statute. The clarity provided by the amended rule will assist both the taxpayer and the Department of Revenue and will facilitate tax compliance.

IMPACT ON SMALL BUSINESS

The impact of the amended rule on small business has been considered. The Department of Revenue believes that the amended rule will not have an impact on small business as contemplated by Minnesota Statutes, section 14.115.

The proposed amendments to this rule do not impose new filing, or payment requirements on small business and thus are not expected to place any additional financial or administrative burden on small businesses. Since compliance requirements are clarified by these amendments, the task of small business in collecting the sales tax on the types of sales discussed in this amended rule is simplified by the proposed amendments.

IMPACT ON LOCAL PUBLIC BODIES AND AGRICULTURAL LAND

The impact of the proposed amended rule on local public bodies and agricultural land has been considered by the Department. The proposed amended rule does not impose any new tax, record keeping or reporting requirements. The Department of Revenue believes that the amended rule will not have an impact on local government bodies and agricultural land as contemplated by Minnesota Statutes, sections 14.11, subdivision 1, and 14.11, subdivision 2.

AUTHORITY TO ADOPT RULES

Minnesota Statutes, section 270.06, clause 13 grants the Commissioner of Revenue authority to make, publish and distribute rules for the administration and enforcement of state tax laws.

ANALYSIS OF THE PROPOSED AMENDED RULE

A. Subpart 1. General. Clarity dictated a change. The sub-title and first sentence have been eliminated. The new material consisting of a new caption and two sentences, presents a clearer and more precise statement for the taxation of fabrication labor. The language change should eliminate confusion and aid in understanding.

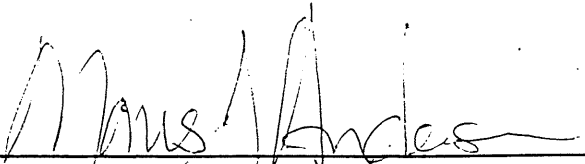
The last paragraph in Subpart 1 contains new language, "except sales for resale". It represents an omission in the original rule and is a technical correction.

B. Subpart 3. Tax Application. Section M Example 13(1) through (17) contains additional examples of specific situations reflecting Department policy determinations. These determinations referenced in the rule will serve to eliminate taxpayer confusion; and will aid in a better understanding of this tax concept.

C. Subpart 4. Custom Made Goods. This new subpart is required to state the tax impact of custom made goods. It reflects prior Department policy determination.

This amendment will serve to eliminate confusion and will facilitate a better understanding of this concept.

Dated: September 1, 1993

A handwritten signature in dark ink, appearing to read "Morris J. Anderson", written over a horizontal line.

Morris J. Anderson
Commissioner of Revenue
State of Minnesota