SALES AND USE TAX
Public Safety Radio Communication System

March 1, 2011

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 213 (Brynaert) / S.F. 183 (Sheran)

	Fund Impact			
	F.Y. 2012	**F.Y. 2013**	**F.Y. 2014**	**F.Y. 2015**
		(000's)		
General Fund	($4,700)	($2,300)	($30)	($30)
Natural Resources and Arts Funds	($270)	($130)	(Negl.)	(Negl.)
Total – All Funds	($4,970)	($2,430)	($30)	($30)

Effective for sales and purchases made after June 30, 2011

EXPLANATION OF THE BILL

Current Law: Generally, sales to state and local government are taxable. A sales and use tax exemption is in effect for end user items purchased in constructing, operating, maintaining, and enhancing portions of the 800 megahertz public safety radio communication system, also known as the Allied Radio Matrix for Emergency Response, or ARMER (defined in M.S. Ch. 403). The exemption applies to phases one and two (the seven metropolitan counties plus Chisago and Isanti counties) and the portion of phase three that is located in the southeast district of the state patrol and in the counties of Benton, Sherburne, Stearns, Wright, and Itasca. Planning and development of the project is done by the Department of Public Safety; the system is owned and operated by the Department of Transportation.

Proposed Law: The bill would exempt all remaining phases of the ARMER system.

REVENUE ANALYSIS DETAIL

- The total cost after June 30, 2011, to state and local government for the ARMER system is estimated at about $107.5 million. The ARMER project is scheduled for completion by the end of fiscal year 2013.
- Costs for maintenance and enhancements are also exempt and would carry a smaller revenue impact beyond fiscal year 2013.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy