SALES AND USE TAX
Proctor Community Activity Center

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

February 26, 2001

Department of Revenue
Analysis of H.F. 359 (Murphy) / S.F. 365 (Lourey)

	Revenue Gain or (Loss)				
	F.Y. 2001	**F.Y. 2002**	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
			(000's)		
General Fund	($0)	($90)	($0)	($0)	($0)

Effective retroactively for sales and purchases made after August 31, 2000.

EXPLANATION OF THE BILL

Current Law: Local units of government (except school districts) are generally subject to the sales and use tax. Sales of building materials and supplies and equipment incorporated into a construction project by construction contractors are normally considered taxable retail sales.

Proposed Law: Purchases and sales of materials and supplies used or consumed in, and equipment incorporated into the construction, improvement, or expansion of the Proctor community activity center would be exempt. The tax would be paid at the time of purchase and the local government would then file for a refund. It is assumed that the term "equipment" includes items that are incorporated into the structure and not movable goods such as furniture or computers.

REVENUE ANALYSIS DETAIL

- A community activity center is being built by the city. The local school district will have access to a portion of the building per a lease arrangement with the city.
- The estimate is based on probable cost information provided by the Proctor city administrator.
- The total estimated cost of the project is $3.2 million. Based on information provided by the city, the portion for taxable items is estimated to be $1.386 million.
- Ground breaking occurred late in fall of 2000, construction is scheduled to begin in April of 2001, and project completion is scheduled for November 2001. It is assumed that all refunds would be filed for and received in fiscal year 2002.

Number of Taxpayers: This proposal is specific to one project in the city of Proctor.

ADMINISTRATIVE/OPERATIONAL IMPACT:

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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