SALES AND USE TAX
Hermantown Community Indoor Sports and Physical Education Complex

February 28, 2001

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

Department of Revenue
Analysis of H.F. 367 (Murphy) / S.F. 364 (Lourey)

	Revenue Gain or (Loss)			
	F.Y. 2002	F.Y. 2003	F.Y. 2004	FY2005
	(000's)			
General Fund	($0)	($145)	($0)	($0)

Effective for sales and purchases after June 30, 2001.

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 of the indoor sports and physical education complex in the city of Hermantown would be exempt. It is assumed that the term “equipment” includes items that are incorporated into the structure and not movable goods such as furniture or computers.

In 1996 Hermantown was authorized by special law to impose a local sales tax of up to 1% for specified purposes. A 0.5% local sales tax was imposed. A separate bill has been introduced in the 2001 session (H.F. 112/ S.F. 135) which authorizes the city of Hermantown to impose an additional 0.5% sales tax for a list of projects, including the one which is the subject of this bill. The tax would be subject to voter approval. It is the understanding that this project will not go forward, during the next several years, unless the additional local sales tax is approved.

REVENUE ANALYSIS DETAIL

- The estimate is based on the total project cost, excluding land acquisition, of $4.5 million which was provided by the Hermantown city administrator.
- It is estimated that the project would include $2.25 million of taxable materials and supplies used or incorporated into the facility.
- It is assumed that necessary legislative authorization and voter approval would be received so that the project would go forward.
- If the increase in the local sales tax is approved by the voters in November 2001, the project start date is expected to be July/August of 2002. The project is expected to be completed prior to June of 2003.

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

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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