SALES AND USE TAX
Yellow Medicine County Law Enforcement and Family Service Center

March 7, 2001

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

Department of Revenue
Analysis of H.F. 409 (Seifert) / S.F. 531 (Lesewski) – **Analysis Revised to Include Furnishings**

	Revenue Gain or (Loss)				
	F.Y. 2001	F.Y. 2002	F.Y. 2003 (000's)	F.Y. 2004	FY2005
General Fund	($20)	($35)	($0)	($0)	($0)

Effective for purchases made after June 30, 2000, and before January 1, 2003.

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. Construction materials and supplies for local government correctional facilities are exempt.

Proposed Law: Purchases and sales of materials and supplies used or consumed in, and fixtures, furnishings, and equipment incorporated into the construction, improvement, or expansion of the Yellow Medicine county law enforcement and family service center would be exempt. The tax would be paid at the time of purchase and the local government would then file for a refund.

REVENUE ANALYSIS DETAIL

- The estimate is based on information provided by county officials. The project is underway and the cement footings were completed last fall.
- Materials and supplies for the jail portion of the project are already provided with an exemption and are excluded from the estimate. The estimated cost for the non-jail portion is $1.5 million.

REVENUE ANALYSIS DETAIL (cont.)

- Items qualifying for this exemption are estimated to be $850,000.
- The project end date is expected to be December of 2001. It is estimated that refunds of tax for all qualifying items will be paid 40% in fiscal year 2001 and 60% in fiscal year 2002.

Number of Taxpayers: This proposal is specific to one project in Yellow Medicine County.

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

hf0409(sf0531)-1 / rrs