

**SALES AND USE TAX  
Blaine City Hall and Police  
Department Facility**

February 28, 2001

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

Department of Revenue  
Analysis of H.F. 443 (Westerberg) / S.F. 420 (Krentz)

	<u>Revenue Gain or (Loss)</u>				
	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u> (000's)	<u>F.Y. 2004</u>	<u>FY2005</u>
General Fund	(\$180)	(\$180)	(\$0)	(\$0)	(\$0)

Effective retroactively for purchases made after June 30, 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 of materials and supplies used or consumed in, and equipment incorporated into, the construction of the Blaine city hall and police department facility 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**

- Information was provided by Blaine city officials.
- The estimate is based on the total bid price, excluding land acquisition costs. The total bid price for the project is \$11.17 million. It is estimated that \$5.6 million would be spent on taxable purchases.
- Construction began in October of 2000 with less than 10% of the bid price spent through February of 2001. Project completion is scheduled for December of 2001.
- It is assumed that 50% of refunds would be paid in fiscal year 2001 and 50% in fiscal year 2002.

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

**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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