

**SALES AND USE TAX  
Princeton Fire Station Facility**

February 12, 2001

Department of Revenue  
Analysis of H.F. 468 (Erickson) / S.F. 524 (Stevens)

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

	<b>Revenue Gain or (Loss)</b>			
	<u><b>F.Y. 2002</b></u>	<u><b>F.Y. 2003</b></u>	<u><b>F.Y. 2004</b></u>	<u><b>FY2005</b></u>
	(000's)			
General Fund	\$0	\$(40)	\$0	\$0

Effective July 1, 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:** The bill exempts materials and supplies used or consumed in, and equipment incorporated into, the construction of a fire station facility in the city of Princeton. The exemption applies regardless of whether the city or other parties (such as a construction contractor) buy the items. If a contractor or subcontractor buys taxable items for the project, they would document to the city how much sales or use tax they paid, and the city would then file a tax refund claim.

**Note:** Because the bill provides no sunset date, future expansions or improvements to the fire station facility would probably also be exempt and could have impacts in future fiscal years.

**REVENUE ANALYSIS DETAIL**

- According to city officials, the fire station is a \$1.2 million project, with approximately 51 percent of the total estimated to be spent on taxable items.
- Construction is planned to start in the spring of 2002 and be completed that fall. Because of the refund requirement, the fiscal impact was estimated to occur in fiscal year 2003.

**Number of Entities Affected:** The city of Princeton and private parties who make taxable purchases for the project.

**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

hf0468(sf0524)-1/tfe

<http://www.taxes.state.mn.us/polic.html#analyses>