

**SALES AND USE TAX
Pork Processing Facility**

March 16, 2001

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

Department of Revenue
Analysis of H.F. 947 (Winter) / S.F. 1015 (Lesweski)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund	\$(100)	\$0	\$0	\$0

Effective the day following final enactment and applies retroactively to January 1, 2001.

EXPLANATION OF THE BILL

Current Law: Sales of construction materials and supplies are normally subject to the sales and use tax. Sales of manufacturing and processing equipment are exempt as capital equipment.

A 2000 sales tax law change exempted materials, supplies and equipment used in constructing and the initial equipping of an agricultural pork processing facility under the following conditions: The construction and equipping cost is at least \$4 million; the facility is owned by a cooperative; and the facility has a maximum daily capacity of at least 400 hogs.

The exemption applies whether the items are purchased by the facility's owner or by a contractor, subcontractor, or builder. Contractors document to the cooperative the amount of tax paid on taxable items and the cooperative can claim and receive a tax refund from the Department of Revenue.

The 2000 law was effective for the period January 1, 2000, through December 30, 2000.

Proposed Law: The bill amends the 2000 law by providing a new sunset date of December 31, 2001.

REVENUE ANALYSIS DETAIL

- The analysis assumed that the Prairie Farmers Cooperative plant is the intended beneficiary.
- Site preparation began last fall, but contractor purchases of construction materials and supplies are starting now with the facility's completion scheduled for mid-July 2001.
- The facility's capital equipment is being bought directly by the cooperative and was excluded from the estimate as already exempt.
- A co-op official confirmed that the estimate done for last year's legislation was still valid.
- It was assumed that the refunds would be paid in FY 2002.

Number of Taxpayers: One facility.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note

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

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