SALES AND USE TAX
Joint Public Safety Training Facility

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

March 20, 2001

Department of Revenue
Analysis of H.F. 1495 (Lenczewski) / S.F. 1629 (Dave Johnson)

	Revenue Gain or (Loss)			
	F.Y. 2002	F.Y. 2003	F.Y. 2004	FY2005
	(000's)			
General Fund	$0	$(155)	$0	$0

Effective retroactive to September 2, 2000.

EXPLANATION OF THE BILL

Current Law: Sales to local units of government, excluding school districts, are generally taxable. Sales to or purchases by construction contractors are normally considered taxable retail sales.

Proposed Law: The bill provides a sales and use tax exemption for materials and supplies used or consumed in, and equipment incorporated into, the construction of a joint public safety training facility for the cities of Bloomington, Eden Prairie, Edina, and for the Metropolitan Airports Commission.

The exemption would be administered as a tax refund. Sales or use tax must be paid on taxable items, and a claim for refund filed with the Department of Revenue. Where the tax was paid by a construction contractor, the contractor must document to the local government the amount of tax paid, and the local government would file for the refund.

REVENUE ANALYSIS DETAIL

- The analysis was based on sales tax estimates provided by the city of Bloomington, the lead entity on this project.
- Construction is scheduled to begin in October 2001 and be completed in December 2002.
- Total sales and use tax to be paid on the project was estimated at approximately $155,000.
- The city of Edina is the financial agent for the project. Edina would claim the tax refund and distribute it to the four jurisdictions according to their fiscal commitment.
- It was assumed that refunds would be paid in state fiscal year 2003.
- The annual impact may vary depending on the actual completion date, the dates refund claims are filed, and the time required to act on the claims.

Number of Entities Affected: Three cities and one special district.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note.

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

hf1495(sf1629)_1.doc
/tfe