SALES AND USE TAX
Bloomington City Facilities

March 20, 2001

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

Department of Revenue
Analysis of H.F. 1501 (Lenczewski) / S.F. 1621 (Dave Johnson)

	Revenue Gain or (Loss)			
	F.Y. 2002	F.Y. 2003	F.Y. 2004	FY2005
	(000's)			
General Fund	$(25)	$(1,185)	$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 the following projects by the city of Bloomington: a city hall, a police facility, a water treatment plant, a municipal arts center, a city band shell, and renovation of a public swimming pool.

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 city the amount of tax paid, and the city would file for the refund.

REVENUE ANALYSIS DETAIL

- The analysis was based on sales tax estimates provided by the city.
- From current and projected construction time-lines, the revenue losses came to $25,000 for fiscal year 2002 and $1,185,000 for fiscal year 2003.
- The impacts may vary depending on actual completion dates, the dates refund claims are filed, and the time required to act on the claims.

Number of Taxpayers Affected: The city of Bloomington.

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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