MINNESOTA · REVENUE

SALES AND USE TAX
Motor Home / Camping Trailer
Production Facility

April 1, 2002

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

Department of Revenue
Analysis of H.F. 3699 (Dorman) / S.F. 3446 (Schwab)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund	$0	($260)	$0	$0

Effective for sales made after June 30, 2002.

EXPLANATION OF THE BILL

Current Law: Sales of building materials and supplies and equipment incorporated into a commercial construction project by construction contractors are normally considered taxable retail sales.

Proposed Law: Construction materials and supplies used or consumed in, and equipment incorporated into the construction of a production facility that manufactures motor homes or camping trailers would be exempt. In order for the facility to qualify for the exemption:

- The total construction costs for the facility need to be less than $10,000,000, and
- At least 300 people are to be employed at the facility when it becomes operational.

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The exemption applies whether the owner, or a contractor, subcontractor, or builder purchases the items.

REVENUE ANALYSIS DETAIL

- It is assumed that only one prospective facility project by Winnebago Industries may qualify for the exemption during fiscal years 2003 to 2005. The Recreational Vehicle Industry Association estimates that there are about 175 recreational vehicle manufacturers in the United States and Canada. It appears that there are only a few recreational vehicle manufacturers in Minnesota.

REVENUE ANALYSIS DETAIL (cont.)

- While it is not expected that this exemption would apply to any other manufacturers in the Minnesota during the forecast period, note, that: 1) a commitment has not been obtained from this producer to locate in Minnesota and 2) any recreational facility that locates in the state with less than $10 million cost and employment greater than 300 will be exempt, in the future, since there is no end date.
- The Department of Trade and Economic Development provided information that the production facility is expected to be approximately 160,000 square feet.
- It is expected that if the Winnebago project is located in Minnesota that construction would begin later this summer and be completed within one year from the construction start date.
- It is estimated that the building project cost is $8 million, which represents the construction costs including materials and labor.
- It is estimated that there will be $4 million of taxable materials and supplies.
- The proposal would allow the exempt capital equipment to be purchased without paying the sales tax at the time of purchase rather than using a refund process.

Number of Taxpayers Affected: This proposal is assumed to be specific to one project at a yet to be determined location in Minnesota.

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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