

**SALES AND USE TAX
Commuter Rail Services**

March 30, 2001

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

Department of Revenue
Analysis of S.F. 459 (Betzold) / H.F. 584 (Hackbarth)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
	(000's)			
General Fund	(\$0)	(\$1,020)	(\$5,320)	(\$1,205)

Effective for sales and purchases made after June 30, 2001.

EXPLANATION OF THE BILL

Current Law: Building materials, supplies, and equipment used to construct a commuter rail system would normally be considered taxable retail sales.

Proposed Law: Purchases of building materials, supplies, and equipment used or consumed in the construction, equipment, or improvement of a commuter rail system, including railroad cars and engines and related equipment would be exempt.

REVENUE ANALYSIS DETAIL

- It is assumed that the federal provisions relating to the taxation of railroad rolling stock (the Railroad Revitalization and Regulatory Reform Act of 1976) would not apply to this intrastate rail operation. Therefore, without a specific exemption, the property would be subject to sales and use tax.
- The Northstar Planning Group provided preliminary estimates for materials and equipment costs.
- The total project cost for the Northstar Corridor (St. Cloud to Minneapolis) is estimated to be \$231 million (2004 dollars) - \$254 million with a 10% contingency.
- The Northstar Planning Group estimates that approximately \$116 million dollars of the total project cost will be for materials, supplies, and equipment. Information was received directly from the Planning Group regarding the distribution of these costs between fiscal years.
- It is assumed the fiscal impact of this exemption for the proposed Dan Patch Corridor (Lakeville to Minneapolis) and the Red Rock Corridor (Hastings to St. Paul to Minneapolis) and other system expansion proposals will occur after fiscal year 2005.

Number of Taxpayers: It is expected that only one commuter rail system will be implemented during the next four year period.

ADMINISTRATIVE/OPERATIONAL IMPACT:

See fiscal note for H.F. 584.

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

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