

**SALES AND USE TAX
Arden Hills City Hall**

April 16, 2001

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

Department of Revenue
Analysis of S.F. 643 (Reiter)

Revenue Gain or (Loss)

	<u>F.Y. 2001</u>	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y.2005</u>
	(000's)				
General Fund	(\$0)	(\$105)	(\$0)	(\$0)	(\$0)

Effective retroactively for sales and purchases made on or after September 1, 2000.

EXPLANATION OF THE BILL

Current Law: Local units of government (except school districts) are generally subject to the sales and use tax. Sales of building materials and supplies, and equipment incorporated into, a construction project are normally considered taxable retail sales.

Proposed Law: Purchases and sales of materials and supplies used or consumed in, and equipment incorporated into the construction of the Arden Hills city hall would be exempt. The tax would be paid at the time of purchase and the local government would then file for a refund.

REVENUE ANALYSIS DETAIL

- Construction of the Arden Hills city hall is currently underway. The project began in September of 2000.
- The estimate is based on information provided by the Arden Hills city administrator.
- The total estimated cost of the project is \$2.93 million. Based on information provided by the city, the portion for taxable items is estimated to be \$1.6 million.
- Project completion is scheduled for July of 2001. The city administrator advised that one refund would be filed for and received in fiscal year 2002.

Number of Taxpayers: This proposal is specific to one project in the city of Arden Hills.

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>