MINNESOTA Department of Revenue

SALES AND USE TAX
Osseo Construction Projects

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

March 9, 2001

Department of Revenue
Analysis of S.F. 803 (Betzold) / H.F. 843 (Haas)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
	(000's)			
General Fund	$(70)	$0	$0	$0

Effective July 1, 2001

EXPLANATION OF THE BILL

Current Law: Construction materials and equipment purchased and installed by a contractor are normally taxable under the sales and use tax.

Proposed Law: The bill exempts materials and supplies used in, and equipment incorporated into, the construction, improvement, or expansion of a public works facility and a community and senior activity center in the city of Osseo. Under the bill, construction contractors would document to the city how much sales and use tax was paid, and the city could then receive a tax refund from the Department of Revenue.

The bill has no sunset date, meaning future improvements and expansions could also qualify for exemption.

REVENUE ANALYSIS DETAIL

- The estimate was based on cost information provided by the city.
- The total cost for both projects was put at $2.4 million.
- This figure was reduced by $241,000 to exclude certain nontaxable outlays such as site preparation.
- The adjusted figure was multiplied by 50 percent to arrive at an estimate of taxable materials and equipment only.
- The work is scheduled to start in June or July of 2001 and be completed by May 2002. It was therefore assumed that all refunds would be paid out in state fiscal year 2002.

Number of Taxpayers Affected: The city of Osseo and its construction contractors.

ADMINISTRATIVE/OPERATIONAL IMPACT

There are no administrative or operational costs to the Department of Revenue in administering this bill.

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

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