

**SALES AND USE TAX  
Dakota County Rosemount Highway Shop**

March 9, 2001

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

Department of Revenue  
Analysis of S.F. 820 (Murphy) / H.F. 838 (Ozment)

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

Effective July 1, 2001

**EXPLANATION OF THE BILL**

**Current Law:** Construction materials and supplies purchased by a contractor are normally subject to the sales and use tax.

**Proposed Law:** The bill exempts materials and supplies purchased for use in the construction of the Dakota County highway shop in Rosemount.

Under the bill's wording, the actual beneficiary is the construction contractor, not the county. Contractors may lower their bids to reflect the tax savings, but legally they are not required to do so.

The bill provides no expiration date, so future construction on the shop may also qualify for exemption.

**REVENUE ANALYSIS DETAIL**

- The estimate was based on the projected cost of \$6.3 million for construction materials and construction labor.
- The materials and supplies portion was estimated at 50 percent of the total.
- Construction is scheduled to begin in summer 2001 and be completed by June 2002. Therefore, it was assumed that the revenue impact would occur in state fiscal year 2002.

**ADMINISTRATIVE/OPERATIONAL IMPACT**

There will no significant administrative or operational costs or savings to the department in administering this proposal.

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

