

**SALES AND USE TAX  
Dakota County Northern Service Center**

March 27, 2001

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

Department of Revenue  
Analysis of S.F. 821 (Metzen) / H.F. 839 (Milbert)

	<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	\$(1,000)	\$0	\$0	\$0
Effective July 1, 2001.				

**EXPLANATION OF THE BILL**

**Current Law:** Sales to local units of government, excluding school districts, are generally taxable. Sales to or purchases by construction contractors are normally considered taxable retail sales.

**Proposed Law:** The bill provides a sales and use tax exemption for materials and supplies purchased for use in constructing the Dakota County Northern Services Center in West St. Paul. The bill has no sunset date, so future construction on or expansion of the service center could also be exempt.

**REVENUE ANALYSIS DETAIL**

- This project has a \$30.397 million total cost for construction materials, supplies, and labor.
- Dakota County officials stated that \$17.116 million in taxable materials and supplies will be spent on the project.
- The above number was multiplied by the 6.5 percent state sales and use tax rate, yielding a revenue loss of \$1.113 million.
- Work on the center began in late 2000 with completion scheduled for July 2002.
- It was estimated that 10 percent of the total sales tax paid would remain taxable because of the bill's July 1, 2001, effective date.
- It was assumed that all exempt purchases would take place in state fiscal year 2002.

**Number of Taxpayers Affected:** The contractor and subcontractors involved with the construction.

**ADMINISTRATIVE/OPERATIONAL IMPACT**

There are no significant administrative or operational costs or savings to the department in administration of this bill.

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