SALES AND USE TAX
Independence Public Safety Building

March 20, 2001

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

Department of Revenue
Analysis of S.F. 980 (Olson) / H.F. 1090 (Smith)

	Revenue Gain or (Loss)				
	F.Y. 2001	**F.Y. 2002**	**F.Y. 2003** (000's)	**F.Y. 2004**	**FY2005**
General Fund	($0)	($25)	($0)	($0)	($0)

Effective for sales and purchases made on or after March 1, 2001

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 incorporated into a construction project are normally considered taxable retail sales.

Proposed Law: Purchases of materials and supplies used or consumed in the improvement and expansion of the city center, including a public safety building, in the city of Independence would be exempt. The tax would be paid at the time of purchase and the local government would then file for a refund. It is assumed that the terms "materials and supplies" do not include movable equipment and furnishings.

REVENUE ANALYSIS DETAIL

- Information was received from the city treasurer for Independence and the project architect.
- The bid awarded in January of 2001 for the West Hennepin Public Safety Building located in Independence was for $866,450. This bid was for the building, excluding land, contingencies, and development costs.
- Based on an itemization of project costs from the architect, it is estimated that approximately $400,000 of this amount would be for purchases subject to sales tax that would be exempted by this bill.
- Construction is expected to begin in mid-May of 2001 and completion is expected prior to November of this year.
- Based on information from the city treasurer, it is assumed that the refund or refunds are to be applied for and paid in fiscal year 2002.

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

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

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