SALES AND USE TAX
Dodge Center Fire Hall

March 13, 2001

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

Department of Revenue
Analysis of S.F. 1451 (Day) / H.F. 1559 (Sviggum)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
	(000's)			
General Fund	($22)	($0)	($0)	($0)

Effective for sales made after June 30, 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, and machinery and equipment, incorporated into a construction project are normally considered taxable retail sales.

Proposed Law: Purchases of materials and supplies used or consumed in, and machinery and equipment incorporated into, the construction and improvement of the Dodge Center fire hall 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 term "equipment" includes items that are incorporated into the structure and not movable goods such as furniture or computers.

REVENUE ANALYSIS DETAIL

- Information was received from the project architect and the Dodge Center city administrator.
- The city of Dodge Center currently owns the land on which the structure will be built. Some nontaxable fees for site analysis and design costs have already been incurred. The architect is designing a facility with an estimated cost of $1 million and has projected that $300,000 of this amount would be for purchases subject to sales tax. The city administrator advises that there is another approximately $38,000 that is planned to be spent on equipment to be incorporated into the structure.
- Construction is expected to begin in April of 2001 and completion is expected prior to December of this year.
- Based on information from the city administrator, 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 Dodge Center.

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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