

# MINNESOTA • REVENUE

## SALES AND USE TAX City of Champlin Pedestrian Overpass

February 9, 2004

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

Department of Revenue  
Analysis of S.F. 261 (Foley) / H.F. 300 (Haas) **Updated Analysis**

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y.2007</u>
	(000's)			
General Fund	(\$15)	(\$35)	(\$0)	(\$0)

Effective for sales made after December 31, 2003, and before January 1, 2006.

### 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 construction of a pedestrian overpass of U.S. Highway 169 in the city of Champlin would be exempt.

The exemption allows all purchases to be tax exempt, regardless of who makes the purchase. No refund claim is required. The beneficiary, therefore, is the purchaser of the taxable items, which may not be the city.

### REVENUE ANALYSIS DETAIL

- It is assumed that only one pedestrian overpass in the city of Champlin would qualify within the time parameters.
- General information on estimated costs and construction timelines was provided by the Champlin city engineer.
- The construction costs, excluding land acquisition, are estimated to be \$1,530,000.

**REVENUE ANALYSIS DETAIL (cont.)**

- Costs attributable to construction materials and supplies were estimated and multiplied by the 6.5% sales and use tax rate.
- Project bidding is scheduled for February/March of 2004. The expected project start date is May of 2004. The expected project completion is prior to the end of 2004. The project costs are divided between fiscal years 2004 and 2005. It is assumed that approximately one-third of the purchases subject to this exemption will occur in fiscal year 2004, with the balance of the project purchases occurring in fiscal year 2005.

**Number of Taxpayers:** One project in the city of Champlin.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)