

MINNESOTA • REVENUE

SALES AND USE TAX Minneapolis Library & Planetarium

April 7, 2003

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

Department of Revenue
Analysis of H.F. 12 (Mullery) / S.F. 253 (Berglin)

	<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	(\$749)	(\$749)	(\$582)	\$0

Effective for purchases made from January 1, 2002, through June 30, 2006.

EXPLANATION OF THE BILL

Current Law: Sales to and purchases by local units of government have been generally taxable since 1992. Public libraries have a general exemption for all their purchases except those for meals or lodging. Materials and supplies acquired by a contractor for the improvement of real property are generally subject to the sales and use tax, regardless of whether the contract is with a for-profit, nonprofit, or government entity.

Proposed Law: The bill adds a subdivision to M.S. §297A.71 to exempt materials and supplies used or consumed in the construction of a facility that includes both a Minneapolis public library and a planetarium. The exemption would apply to items purchased by a construction contractor.

REVENUE ANALYSIS DETAIL

- The estimate was based on information from the Minneapolis Public Library business office.
- Construction materials/supplies and labor costs are projected to be \$80,000,000. Of the total, 40% (\$32 million) is estimated to be the materials and supplies portion.
- Preliminary site work began in November 2002. Completion of substantial construction is expected in December 2005 with end of construction in June 2006.
- Fiscal year impacts reflect state tax at 6.5% over the estimated period of construction.

Number of Taxpayers: One facility.

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