

MINNESOTA • REVENUE

SALES AND USE TAX St. Mary's Duluth Clinic Health System

February 26, 2004

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

Department of Revenue
Analysis of S.F. 1706 (Solon) / H.F. 2134 (Jaros)

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	(\$900)	(\$720)	\$0	\$0

Effective for purchases made from March 1, 2004, through December 31, 2006.

EXPLANATION OF THE BILL

Current Law: Purchases of construction materials, supplies, and certain installed equipment are generally subject to sales or use tax.

Proposed Law: The bill grants a sales and use tax exemption for materials, equipment, and supplies used in the construction of the St. Mary's Duluth Clinic Health System.

REVENUE ANALYSIS DETAIL

- The estimate is based on information from the St. Mary's complex in Duluth.
- The total project cost is \$75 million. The actual construction cost is \$50 million (materials and labor). Materials, supplies, and equipment account for 50% of the construction cost, or \$25 million.
- Construction is expected to begin in April 2004 and be completed 24 months later in April 2006. The revenue impact for the two fiscal years was based on this time frame.

Number of Taxpayers Affected: One entity.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy