

# MINNESOTA • REVENUE

## SALES AND USE TAX Minneapolis (Library &) Planetarium

April 28, 2003

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

Department of Revenue

Analysis of S.F. 253 (Berglin) Analysis Revised for Senate Amendment of April 24, 2003

	<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	\$0	(\$129)	(\$230)	\$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. **As amended,** the exemption is for the planetarium only; the original bill's inclusion of the public library is deleted.

### REVENUE ANALYSIS DETAIL

- The estimate was based on information from the Minneapolis city attorney's office.
- Construction materials/supplies and labor costs are estimated at \$11.062 million. Of this amount, 50% (\$5.531 million) is attributed to materials and supplies.
- The planetarium would be built on top of the new library. Under current plans, planetarium construction will likely begin in October 2004 with substantial completion in December 2005 and opening to the public in June 2006.
- Fiscal year impacts reflect state tax at 6.5% over the estimated period of construction.

Source: Minnesota Department of Revenue  
Tax Research Division