

MINNESOTA • REVENUE

SALES AND USE TAX Ham Lake Fire Facility

April 7, 2003

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

Department of Revenue

Analysis of S.F. 118 (Johnson, Debbie) / H.F. 368 (DeLaForest)

	<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>
General Fund	(\$18)	(\$4)	\$0	\$0

(000's)

Effective for purchases made from January 1, 2003, through June 30, 2005.

EXPLANATION OF THE BILL

Current Law: Sales to and purchases by local units of government have generally been taxable since 1992. Sales to and purchases by a construction contractor or builder are normally taxable.

Proposed Law: The bill amends M.S. §297A.71 by adding a subdivision to exempt materials and supplies used or consumed in, and machinery and equipment incorporated into, the construction of the Ham Lake fire department facility. The exemption applies regardless of whether the city or a contractor acquires the items.

REVENUE ANALYSIS DETAIL

- The city has estimated a total project cost of \$765,000. This figure includes materials, supplies, incorporated equipment, construction labor, and soft costs such as architectural fees.
- It was estimated that 45% of the total cost is attributable to materials, supplies, and incorporated equipment.
- Construction is planned to begin in August 2003 and end in August 2004. The fiscal year impacts were based on this time line.

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