

MINNESOTA • REVENUE

SALES AND USE TAX City of Champlin Pedestrian Overpass

March 12, 2003

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

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

	<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	(\$25)	(\$25)	(\$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 manager.
- The construction costs, excluding land acquisition, are estimated to be \$1,545,800.

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 December of 2003. The expected project start date is April 15, 2004. The expected project completion is during November of 2004. It is assumed that the purchases subject to this exemption are approximately evenly divided between the two fiscal years that the project spans.

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

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