

# MINNESOTA • REVENUE

## SALES AND USE TAX North St. Paul, Municipal Building

April 4, 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. 298 (Wiger) / H.F. 362 (Wasiluk)

	<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	(\$170)	(\$20)	(\$0)	(\$0)

Effective for purchases made after December 31, 2002, and before July 1, 2005.

### 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, and machinery and equipment incorporated into, the construction of the North St. Paul municipal building, including police and fire department facilities, 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, who may not be the owner.

### REVENUE ANALYSIS DETAIL

- It is assumed that the one construction project in North St. Paul would be the only one to qualify within the time parameters.
- General information on estimated costs and construction timelines was provided by the North St. Paul city manager.
- The total project cost is approximately \$8,000,000. The construction costs, excluding land acquisition and demolition costs, are estimated to be \$6,000,000.

**REVENUE ANALYSIS DETAIL (cont.)**

- Costs attributable to construction materials, supplies, and non-production equipment were estimated and multiplied by the 6.5 percent sales and use tax rate.
- The expected project start date is June 2003. Information from the city manager and the project schedule indicate that the purchases subject to this exemption will be approximately 90% in fiscal year 2003 and 10% in fiscal year 2004.

**Number of Taxpayers:** One project in the city of North St. Paul.

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