

# MINNESOTA • REVENUE

## SALES AND USE TAX Mora Fire Department Facility

April 7, 2003

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

Department of Revenue  
Analysis of S.F. 1052 (Lourey)

	<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	(\$40)	(\$0)	(\$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:** Materials and supplies used or consumed in, and machinery and equipment incorporated into, the construction of the Mora fire department facility would be exempt from the sales and use tax.

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 exemption applies to only one construction project within the given time parameters.
- General information on estimated costs and construction timelines was received from the Mora city clerk.
- The referendum was for \$1,300,000, which is the approximate total project cost. The city already owns the land on which the building is to be constructed. It is estimated that the building cost will be approximately \$1,100,000.

**REVENUE ANALYSIS DETAIL (cont.)**

- Costs attributable to construction materials, supplies, and machinery and equipment were estimated and multiplied by the 6.5% sales and use tax rate.
- The expected project start date is late summer of 2003, with project completion in spring of 2004.

**Number of Taxpayers:** One project in the city of Mora.

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