

# MINNESOTA • REVENUE

## SALES AND USE TAX

### St. Mary's Duluth Clinic Health System City Parking Ramp and Skywalk

April 15, 2004

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

Department of Revenue

Analysis of S.F. 1706 (Solon) **As Amended** (SCS1706A-1)

#### **Analysis Also Revised to Correct Fiscal Year Allocation**

|              | <b>Revenue Gain or (Loss)</b> |                         |                         |                         |
|--------------|-------------------------------|-------------------------|-------------------------|-------------------------|
|              | <b><u>F.Y. 2004</u></b>       | <b><u>F.Y. 2005</u></b> | <b><u>F.Y. 2006</u></b> | <b><u>F.Y. 2007</u></b> |
|              |                               | (000's)                 |                         |                         |
| General Fund | (\$50)                        | (\$1,070)               | (\$960)                 | \$0                     |

Effective for purchases made from March 1, 2004, through December 31, 2007.

## **EXPLANATION OF THE BILL**

**Current Law:** Purchases of construction materials, supplies, and certain installed equipment are generally subject to sales or use tax.

**Proposed Law:** The bill grants a sales and use tax exemption for materials, equipment, and supplies used in the construction of the St. Mary's Duluth Clinic Health System. **As amended,** the exemption also includes construction of a parking ramp and a downtown skywalk connection. The amendment also extends the expiration date by one year.

## **REVENUE ANALYSIS DETAIL**

- The estimate was based on information from the St. Mary's complex in Duluth.
- The total project cost is \$75 million. The actual construction cost is \$50 million. Materials, supplies, and equipment were estimated to account for 50% of the construction cost, or \$25 million.
- Clinic construction is expected to begin in April 2004 and be completed 24 months later in April 2006. The corrected revenue impact was based on this time frame.
- The Senate amendment adds two other projects to the bill. In conjunction with the St. Mary's expansion, the city of Duluth is building a parking ramp and downtown skywalk connection. The estimated construction costs are \$12.4 million and \$1.9 million, respectively. Construction materials and supplies were estimated at 50% of the total cost.

April 15, 2004

**REVENUE ANALYSIS DETAIL (cont.)**

- Based on information from the city, the analysis assumed that parking ramp construction will begin in October 2004 and be completed in April 2006. Skywalk construction is estimated to begin in October 2004, and to be completed in October 2005. The revenue impact of the two additional projects was based on these time frames.

**Number of Taxpayers Affected:** Two entities

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

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