

MINNESOTA • REVENUE

SALES AND USE TAX Waste Recovery Facility

March 9, 2004

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

Department of Revenue
Analysis of H.F. 1993 (Kuisle) / S.F. 1956 (Kiscaden)

	<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)	
Olmsted County facility	\$0	\$0	(\$358)	(\$536)
Red Wing facility	<u>\$0</u>	<u>\$0</u>	<u>(\$70)</u>	<u>(\$12)</u>
General Fund Total	\$0	\$0	(\$428)	(\$548)

Effective July 1, 2004

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, section 297A.68, subdivision 24, provides a sales and use tax exemption for equipment used in a resource recovery facility that burns refuse-derived fuel or mixed municipal solid waste as its primary fuel. "Resource recovery" is defined as the reclamation for sale, use, or reuse of materials, substances, energy, or other products contained within or derived from waste (section 115A.03, subd. 27).

Current law does not exempt materials used to construct resource recovery facilities.

Proposed Law: The bill creates a sales and use tax exemption for materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a waste-to-energy resource recovery facility if the facility uses biomass or mixed municipal solid waste as a primary fuel to generate steam or electricity. Because the bill has no expiration date, the exemption would apply to expansion of existing facilities and construction of future ones.

REVENUE ANALYSIS DETAIL

- The analysis used information from state and local government sources.
- It was assumed that facilities in Olmsted County and Red Wing are the ones that will have a fiscal impact through fiscal year 2007.
- It was assumed that state bond funds will be made available this year for the two projects.
- The Olmsted County project's cost for construction materials and supplies is estimated at \$16.5 million. Construction is expected to begin in the fourth quarter of 2005 and be completed in 24 months.

REVENUE ANALYSIS DETAIL (Cont.)

- The analysis assumed that purchases of construction materials and supplies start in October 2005. The Olmsted estimate includes eight months of impact in F.Y. 2006 and 12 months in F.Y. 2007. The remaining four months of impact would occur in F.Y. 2008.
- The Red Wing project's total construction cost is estimated at \$2.547 million. Fifty percent of this figure is attributable to construction materials and supplies.
- Purchases of construction materials and supplies are assumed to start in July 2005 and be finished in July 2006, resulting in 13 months of impact: 11 months in F.Y. 2006 and two months of impact in F.Y. 2007

Number of Taxpayers: Two facilities are expected to benefit through fiscal year 2007.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy