

MINNESOTA • REVENUE

SALES AND USE TAX Rochester Wastewater Plant

April 23, 2004

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

Department of Revenue
Analysis of H.F. 3174 (Nelson, C.) / S.F. 3040 (Senjem)

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)			
General Fund	\$0	(\$365)	(\$410)	(\$200)

Effective for sales and purchases made on or after July 1, 2004, and before January 1, 2009.

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, supplies, and equipment used or consumed in the expansion of the Rochester wastewater treatment plant would be exempt from the sales and use tax.

REVENUE ANALYSIS DETAIL

- Information was received from the plant manager at the City of Rochester.
- It is estimated that the total project cost will be \$62 million dollars.
- For the wastewater treatment facility, it is projected that \$15 million will be purchases that would normally have been subject to sales tax but that will be exempted by this bill.
- The estimated project completion date is December 2006
- It is estimated that \$5,600,000 of the \$15,000,000 of exempted purchases will occur in fiscal year 2005 and \$6,300,000 will occur in fiscal year 2006 with the remaining \$3,100,000 occurring in fiscal year 2007.

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