

# MINNESOTA • REVENUE

## SALES AND USE TAX Chatfield Wastewater Plant

March 8, 2005

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

Department of Revenue  
Analysis of H.F. 807 (Davids) / S.F. 848 (Kierlin)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	(\$160)	\$0	\$0	\$0

Effective for sales and purchases made on or after June 1, 2005, and before December 31, 2007.

### 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 in and equipment incorporated into the construction, improvement, or expansion of a wastewater treatment facility owned by the City of Chatfield would be exempt from the sales and use tax.

### REVENUE ANALYSIS DETAIL

- Information was received from a Chatfield city official.
- It is estimated that the total project cost will be \$5.8 million.
- For the wastewater treatment facility, it is projected that \$2.4 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 July 2006.
- It is estimated that all exempted purchases will occur in fiscal year 2006.

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)