

# MINNESOTA • REVENUE

## SALES AND USE TAX Polk County Justice Center

May 4, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 2792 (Lieder) / S.F. 3477 (Stumpf)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	(\$100)	(\$43)	\$0

(000's)

Effective for sales and purchases made after June 30, 2005, and before January 1, 2008

### EXPLANATION OF THE BILL

**Current Law:** Sales of building materials and supplies to construction contractors are generally taxable. Sales to local units of government, except for school districts, are also mostly taxable. A sales tax exemption by refund for materials and supplies used in constructing local government jails has been in effect since 1995.

**Proposed Law:** The bill exempts materials, supplies used or consumed in, and equipment incorporated into the construction, improvement, or expansion of the Polk County Justice Center. The bill requires that sales or use tax must be paid on the items. The county would file a claim for refund. Where contractors acquired taxable items, they must document to the county the amount of sales or use tax paid.

### REVENUE ANALYSIS DETAIL

- The estimate is based on information from the Polk County coordinator's office.
- The justice center includes courtrooms and space for law enforcement and criminal justice offices as well as a new county jail.
- Expenditures for materials and labor for the center except the jail are estimated at \$4.4 million. (The jail portion is already exempt under current law.)
- It was estimated that materials, supplies, and incorporated equipment are 50% of the cost.
- Construction began in September 2005. The jail will be the last part of the building to be completed, not later than December 2007.
- The analysis assumed that 70% of the tax refunds would be paid in fiscal year 2007 and the remainder in fiscal year 2008.

**Number of Taxpayers:** One facility

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)