

# MINNESOTA • REVENUE

## SALES AND USE TAX Dover, Eyota, St. Charles Sewer Treatment Facility

April 19, 2006

Department of Revenue

Analysis of H.F. 2980 (Welti) / S.F. 2727 (Murphy)

Identical Bill H.F. 3337 (Sviggum) / S.F. 3162 (Kiscaden)

	Yes	No
DOR Administrative Costs/Savings		X

### Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	(\$220)	(\$150)	\$0

(000's)

Effective for the period from April 1, 2006, through March 31, 2009

### EXPLANATION OF THE BILL

Normally, construction materials, supplies, and equipment to be incorporated into a building are subject to the sales and use tax. The bill exempts these items when they are used in the construction, expansion, and improvement of a sanitary sewer system and treatment plant owned and operated by the Dover, Eyota, St. Charles Sanitary District.

The exemption would be administered as a tax refund. Where qualifying items have been acquired by construction contractors, the contractors must document to the sanitary district the amount of sales or use tax paid, and the sanitary district submit a claim for refund to the Department of Revenue.

### REVENUE ANALYSIS DETAIL

- The estimate was based on preliminary data from the sanitary district (the project has not yet sought construction bids).
- Total expenditures for materials and labor are currently estimated at \$11.4 million
- Half of this amount was attributed to otherwise taxable materials, supplies, and equipment.
- Construction is estimated to take 18 to 24 months to complete. Contractors are expected to make most purchases towards the beginning of the period.
- The analysis assumed that 60% of exempt purchases will be refunded in fiscal year 2007 and 40% in fiscal year 2008.

**Number of Taxpayers:** One project

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)