

MINNESOTA • REVENUE

SALES AND USE TAX Centennial Lakes Police Facility

April 18, 2005

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

Department of Revenue
Analysis of S.F. 166 (Reiter) / H.F. 477 (Vandevveer)

	<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	(\$55)	\$0	\$0	\$0

Effective on and after July 1, 2005

EXPLANATION OF THE BILL

Current Law: Purchases by contractors and subcontractors of construction materials, supplies, and certain installed equipment are generally subject to sales or use tax.

Proposed Law: The bill exempts materials and supplies used or consumed in and equipment incorporated into the construction of the Centennial Lakes Police Facility in Circle Pines. The exemption has no expiration date and would be available for future expansion of the facility.

REVENUE ANALYSIS DETAIL

- The estimate was based on cost information provided by the city of Circle Pines.
- Of the total project cost of \$2.384 million, the portion attributable to materials and labor was estimated at \$1.627 million.
- This figure was multiplied by 52% to include materials and qualifying equipment only.
- The resulting number was multiplied by the 6.5% tax rate.
- The impact of all exempted purchases for the construction is expected to occur in fiscal year 2006.

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