

MINNESOTA • REVENUE

SALES AND USE TAX Carver County Justice Center

April 18, 2005

Preliminary Estimates

Department of Revenue
Analysis of S.F. 799 (Ortman) / H.F. 960 (Hoppe)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
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>
		(000's)		
General Fund	(\$100)	(\$200)	(\$200)	\$0

Effective for sales and purchases made after December 31, 2005, and before December 31, 2008.

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 or consumed in and equipment incorporated into the construction of the expansion and renovation of the Carver County Justice Center would be exempt from the sales and use tax.

REVENUE ANALYSIS DETAIL

- Information was received from a Carver County official.
- The project timeline and scope are uncertain. The total project cost could be reduced and the timeline may extend out more than five years. The county currently has \$3,000,000 available to begin the project.
- The total project cost is estimated to be \$16.9 million based on a feasibility study. The project will be completed on land already owned by the county.
- Administrative fees are estimated to be 10% of the total project cost. Purchases that would normally have been subject to sales or use tax, but that will be exempted by this proposal, are estimated to be approximately 50% of the amount after administrative fees (\$7,600,000 of purchases and \$500,000 of sales tax).
- It is assumed that the project will be initiated later this year (fiscal year 2006) and the \$3,000,000 of currently available funds will be spent in fiscal year 2006. Pending more specific information, the preliminary assumption is that the project will be completed within the effective dates of the provision. The fiscal impact, net of the impact of the initial \$3,000,000, is divided evenly between fiscal years 2007 and 2008.

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