

MINNESOTA • REVENUE

SALES AND USE TAX Pine County Judicial Center

May 1, 2006

Department of Revenue
Analysis of S.F. 3508 (Lourey) / H.F. 3972 (Hilty)

	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	(\$240)	(\$80)	\$0

(000's)

Effective for the period January 1, 2005 through December 31, 2007

EXPLANATION OF THE BILL

Current Law: Construction materials and supplies are normally subject to the sales and use tax. Sales to local units of government are also generally taxable. Materials and supplies used for constructing or improving local government adult or juvenile detention facilities are exempt by means of a tax refund.

Proposed Law: The bill grants an exemption for materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of the Pine County Judicial Center. The facility includes the sheriff's office, county administrative offices, court rooms and court offices, and a new jail. The proposed exemption would also be administered as a tax refund. Construction contractors would document to the county the amount of sales or use tax paid on the project, and the county would submit refund claims to the Department of Revenue.

REVENUE ANALYSIS DETAIL

- Information was provided by the county's project manager.
- The cost for materials and labor, excluding the jail portion, is approximately \$9.910 million.
- It was estimated that 50% of this cost is for materials, supplies, and installed equipment.
- Construction began in October 2005 and should be completed in October 2007.
- The analysis assumes that 75% of the refunds will be paid in fiscal year 2007 and 25% 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