MINNESOTA · REVENUE

SALES AND USE TAX
U of M Football Stadium

March 30, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3585 (Johnson, D.E.)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
Appropriation – U of M Board of Regents	$0	$0	($7,000)	($7,000)
Construction Materials Sales Tax Exemption	$0	$0	($2,000)	($3,000)
General Fund Total	$0	$0	($9,000)	($10,000)

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: Sales of building materials and supplies incorporated into a construction project are normally considered taxable retail sales and subject to sales or use tax.

Proposed Law: The bill provides for a $7 million annual appropriation to the Board of Regents of the University of Minnesota. The appropriation is to support payment of bonds, not to exceed $94 million, for a University of Minnesota football stadium. The appropriation starts on July 1, 2007, provided that the Commissioner of Finance certifies that the Board of Regents has received commitments of $141 million in non-state general revenue support for the construction of the stadium, but no earlier than July 1, 2007. The appropriation continues annually on the first day of July for subsequent years and for as long thereafter as any bonds issued by the Board of Regents for the construction of the stadium are outstanding.

The bill also provides an exemption from sales or use tax for materials, supplies, or equipment used or consumed in connection with the construction, equipping, or improvement of a football stadium constructed for use by the University of Minnesota.

There is a provision for early termination of the Metrodome lease between the Regents of the University of Minnesota and the Metropolitan Sports Facilities Commission. The lease was entered into in 1982 and extends to July 2012.

REVENUE ANALYSIS DETAIL

Appropriation to the Board of Regents

- It is assumed that the Commissioner of Finance will certify that the Board of Regents has received commitments for $141 million prior to June 30, 2007. Therefore, the $7 million appropriation would begin in fiscal year 2008.

Sales and Use Tax Exemption

- Preliminary cost projections were received from a University Budget and Finance representative and the stadium feasibility study located on the University of Minnesota website.
- The total cost of the project is estimated to be $248 million.
- Based on information from the stadium feasibility study (updated in 2006), the construction costs for the stadium project will be $186 million. It is estimated that 41% of the $186 million would be for materials, supplies, and equipment incorporated into the stadium that would normally be subject to sales or use tax.
- The construction project is estimated to be a two-year project with a construction start date of April 2007 and an estimated project completion date of August 2009.
- Fiscal year impacts are distributed based on the construction timelines in the stadium feasibility study. Taxable purchases prior to July 2007 are expected to be minimal. It is estimated that 40% of the exempted purchases will occur in fiscal year 2008 and 60% in fiscal year 2009.
- The sales and use tax exemption on construction materials expires one year after substantial completion of the project.

Note: The estimates assume that the sales tax exemption is limited to materials, supplies, and equipment that are incorporated into the football stadium project. As drafted, the exemption could be interpreted to include equipment that is used for the project, such as construction equipment.

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

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