

MINNESOTA • REVENUE

SALES AND USE TAX Public Safety Radio Communication System: Itasca County

April 17, 2006

Department of Revenue
Analysis of S.F. 3754 (Saxhaug) / H.F. 4130 (Solberg)

	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	(\$319)	(\$64)	(Negligible)

Effective August 1, 2006

EXPLANATION OF THE BILL

Current Law: Sales to local units of government are generally taxable. A sales and use tax exemption is in effect for items purchased in constructing, operating, maintaining, and enhancing phases I and II (most of the metropolitan area) and the portion of phase III that is located in the southeast district of the state patrol as well as the counties of Benton, Sherburne, and Wright, of the public safety radio communication system, also known as the Allied Radio Matrix for Emergency Response, or ARMER.

Proposed Law: The proposal adds to the exemption that portion of the system that is located in Itasca County.

REVENUE ANALYSIS DETAIL

- The estimate is based on information from the Itasca County sheriff's office.
- The county expects to spend approximately \$8.827 million on normally taxable equipment.
- The expenditures are in progress and are expected to be completed by July of 2007.
- It was assumed that the purchases occur over an 18 month period from March 2006 through July 2007.
- The revenue impact is of the portion of expenditures estimated to be made on and after August 1, 2006 (10 months of fiscal year 2007 and two months of fiscal year 2008).
- The impact of exempting on-going maintenance expenses was estimated to be negligible (less than \$5,000).

Number of Taxpayers: One county

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