

MINNESOTA • REVENUE

SALES AND USE TAX Public Safety Radio Communication System Itasca County

April 24, 2007

Revised Analysis

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 68 (Saxhaug) / H.F. 114 (Solberg), Revised for Updated Information

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	(\$245)	(\$125)	(Negligible)	(Negl.)

With its inclusion in the omnibus tax bills, the measure is assumed effective July 1, 2007

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 and in the counties of Benton, Sherburne, Stearns, and Wright, of the public safety radio communication system, also known as the Allied Radio Matrix for Emergency Response, or ARMER.

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

REVENUE ANALYSIS DETAIL

- The estimate is based on updated information from the Itasca County sheriff's office.
- The total project cost is \$9.4 million. Some equipment has already been purchased and sales tax has been paid on the purchases. The county now expects to spend \$5.67 million on otherwise taxable equipment. The estimate assumes that the purchases take place over a 15 month period from July 2007 to September 2008.
- Built-in radios in marked squad cars and emergency rescue vehicles are currently exempt under another provision. The revised estimate reflects this.
- 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