

MINNESOTA • REVENUE

SALES AND USE TAX Public Safety Radio Communication System Itasca County

February 16, 2007

Preliminary Analysis

| | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | | X |

Department of Revenue
Analysis of S.F. 68 (Saxhaug)/ H.F. 114 (Solberg)

Fund Impact

| | <u>F.Y. 2008</u> | <u>F.Y. 2009</u> | <u>F.Y. 2010</u> | <u>F.Y. 2011</u> |
|--------------|------------------|------------------|------------------|------------------|
| | | | (000's) | |
| General Fund | (\$320) | (\$255) | (Negligible) | (Negl.) |

Effective August 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 information provided by the Itasca County sheriff's office in April 2006. The estimate could change when updated information is obtained.
- The county expects to spend approximately \$8.827 million on normally taxable equipment.
- The estimates assume that the purchases take place over an 18 month period from August 2007 to February 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