MINNESOTA · REVENUE

SALES AND USE TAX
Bioscience Research Facility - Austin

March 26, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 994 (Sparks) / H.F. 1203 (Poppe)

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
	(000's)			
General Fund	($240)	($80)	$0	$0

Effective for sales and purchases made after June 30, 2006, and before January 1, 2009.

EXPLANATION OF THE BILL

Construction materials, supplies, and equipment are normally subject to the sales and use tax.

The bill provides an exemption for materials and supplies used or consumed in, and equipment incorporated into, the improvement or expansion of bioscience research facilities, if: 1) the facilities are utilized by a research institute to conduct cancer research in collaboration with the Mayo Clinic; 2) the institute is an independent research unit of the University of Minnesota; and 3) the facilities are owned by a corporation foundation. The tax would be imposed and collected at the 6.5% rate. The contractor would document the amount of sales or use tax paid on the project, and the corporate foundation would submit sales tax refund claims.

REVENUE ANALYSIS DETAIL

- It is assumed that the provisions of the exemption limit its use to one facility, the Hormel Institute in Austin.
- The estimate is based on information supplied by the construction company, the institute, and a city official. The proposed addition and renovation to the Hormel Institute is expected to have a total project cost of $19.9 million.
- An itemized list was provided that estimates the costs for normally taxable items (i.e. those costs that would be exempted by the proposal) to be $4.94 million.
- The project end date is expected to be May 2008.
- The estimate assumes that 75% of the refund claims for materials, supplies, and equipment will be paid in fiscal year 2008 and 25% in fiscal year 2009.

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

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