

# MINNESOTA • REVENUE

## SALES AND USE TAX Rochester Biobusiness Center

March 16, 2007

Department of Revenue  
Analysis of S.F. 1281 (Senjem)/ H.F. 1462 (Liebling)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	(\$700)	(\$300)	\$0	\$0

Effective for sales and purchases made after June 30, 2007.

### 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 initial construction of a biobusiness center in the City of Rochester which received state funding in 2006.

### REVENUE ANALYSIS DETAIL

- It is assumed that the exemption will apply to only one building and an adjacent public parking ramp.
- The proposed building is expected to be a nine or ten story building that will be primarily occupied by Mayo Clinic Health Solutions (leasing six of the floors). The building will house retail establishments on the first level.
- The estimate is based on information supplied by a construction management company and the city administrator's office.
- The project costs are estimated to be \$12,703,000 for the parking ramp and \$25,145,000 for the biobusiness center. The construction portions of the costs are estimated to be \$7,659,000 for the parking ramp and \$19,511,000 for the biobusiness center.
- It is estimated that 50% of the parking ramp costs will be for materials, supplies, and installed equipment (i.e. excluding labor costs).
- It is estimated that 60% of the building costs will be for materials, supplies, and installed equipment (i.e. items that would normally be subject to the 6.5% sales tax).
- Construction is expected to begin in October 2007 and be completed in April 2009.
- The estimate assumes that 70% of the materials, supplies, and equipment will be purchased in fiscal year 2008 and 30% in fiscal year 2009.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)