

# MINNESOTA • REVENUE

## SALES AND USE TAX Pine County Judicial Center

March 14, 2007

Department of Revenue  
Analysis of S.F. 1284 (Lourey)/ H.F. 1784 (Faust)

	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>
		(000's)		
General Fund	(\$320)	\$0	\$0	\$0

Effective for sales and purchases made after January 1, 2005, and before January 1, 2008.

### EXPLANATION OF THE BILL

Construction materials, supplies, and equipment are normally subject to the sales and use tax. Sales to local units of government are also generally taxable. Materials and supplies used for constructing or improving local government adult or juvenile detention facilities are exempt.

The bill provides an exemption for materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of the Pine County Judicial Center. The tax would be imposed and collected at the 6.5% rate. The contractors would document the amount of the sales or use tax paid on the project, and the county would submit sales tax refund claims.

The facility includes the sheriff's office, county administrative offices, court rooms and court offices, and a new jail. The exemption is for those parts of the project not already exempted in current law.

### REVENUE ANALYSIS DETAIL

- The estimate is based on information supplied by the project manager for Pine County.
- The cost for materials and labor, excluding the jail portion, is approximately \$9.91 million.
- It is estimated that 50% of these 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 be completed in October 2008.
- The estimate assumes that refunds of tax paid would be made in fiscal year 2008.

**Number of Taxpayers:** One facility

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)