SALES AND USE TAX
Buffalo Wastewater Facility

March 12, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1400 (Koch) / H.F. 1687 (Emmer)

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
		(000's)		
General Fund	($40)	($5)	$0	$0

Effective for sales and purchases made on or after March 1, 2007, and before December 31, 2008.

EXPLANATION OF THE BILL

Construction materials, supplies, and equipment are normally subject to the sales and use tax. There is a current law exemption for wastewater treatment equipment designed to process, dewater, and recycle biosolids, and materials incidental to the installation of that equipment.

The bill provides an exemption for materials and supplies used in, and equipment incorporated into, the construction, improvement, or expansion of a wastewater treatment facility owned by the city of Buffalo.

REVENUE ANALYSIS DETAIL

- The estimate is based on information supplied by the Buffalo city administrator.
- The total project cost is estimated to be $14.655 million.
- It is expected that significant portions of the total project costs are nontaxable items such as labor, site work, and items that are subject to the current biosolids exemption. The city administrator advises that only $700,000 of the approximately $7,000,000 of materials and supplies would normally be taxable without this exemption.
- Normally taxable expenditures are expected to begin near the start of fiscal year 2008 and extend through the first six months of fiscal year 2009. It is estimated that 90% of the purchases subject to this exemption will 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

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