SALES AND USE TAX
Harris Wastewater Facility and
Water Treatment Plant

March 27, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1693 (Olseen) / H.F. 1960 (Eastlund)

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
		(000's)		
General Fund	($180)	$0	$0	$0

Effective the day following final enactment for sales and purchases made after May 31, 2006, and before June 30, 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 of a wastewater treatment facility and a water treatment plant owned by the city of Harris. The tax is being imposed and collected at the 6.5% rate. The contractor would document the amount of sales or use tax paid on the two projects, and the city would submit sales tax refund claims.

REVENUE ANALYSIS DETAIL

- The estimate is based on information supplied by the engineering firm for the project.

Wastewater Treatment Facility
- The total project cost for the wastewater treatment facility is estimated to be $5.35 million.
- It is estimated that the materials, supplies, and equipment that would normally be taxable without this exemption, excluding construction related biosolids costs that are already exempt, is $2.0 million.
- The wastewater treatment construction project began November 2006. The project completion date is expected to be July 2008. It is assumed that all refunds will be paid in fiscal year 2008.

REVENUE ANALYSIS DETAIL (cont.)

Water Treatment Facility

- The total project cost for the water treatment plant is estimated to be $1.86 million.
- The total construction cost is $1.46 million.
- It is estimated that the materials, supplies, and equipment that would normally be taxable without this exemption is $750,000.
- The water treatment plant construction began in July 2006. The project completion date is expected to be August 2007. It is assumed that all refunds will be paid in fiscal year 2008.

Number of Taxpayers: Two facilities owned by the city of Harris.

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