

MINNESOTA • REVENUE

SALES AND USE TAX Milaca Water Treatment Facility

March 27, 2007

Department of Revenue
Analysis of S.F. 1719 (Wergin) / H.F. 1942 (Erickson)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	(\$85)	\$0	\$0	\$0

Effective retroactive for sales and purchases made before February 15, 2007.

EXPLANATION OF THE BILL

Materials, supplies, and equipment are normally subject to the sales and use tax. Sales to local units of government are also generally taxable.

The bill provides an exemption for materials and supplies used in, and equipment incorporated into, the construction of a water treatment facility owned by the city of Milaca. The tax has been imposed and collected at the 6.5% rate. The city would document the amount of sales and use tax paid on the project and would submit a sales tax refund claim.

REVENUE ANALYSIS DETAIL

- The estimate is based on information supplied by a Milaca city representative.
- The total project cost is estimated to be \$3.1 million.
- The expected project completion date is April 2007.
- The city estimates that \$1.3 million of materials and supplies would normally be taxable without this exemption.
- It is assumed that the sales tax refund would be paid 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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