

# MINNESOTA • REVENUE

## SALES AND USE TAX

### Richfield City Hall & Maintenance Facility

March 27, 2007

Department of Revenue

Analysis of S.F. 1909 (Larson) / H.F. 2208 (Slocum)

	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	(\$310)	(\$80)	(\$490)	\$0

Effective for sales and purchases made after December 31, 2006, and before January 1, 2010.

### 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.

The bill provides an exemption for building materials and supplies used or consumed in, and equipment incorporated into, the construction of a new city hall and a new maintenance facility owned by the city of Richfield. 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 city would submit sales tax refund claims.

### REVENUE ANALYSIS DETAIL

- The estimate is based on information supplied by a Richfield city representative.

#### *City Hall*

- The total project cost is estimated to be between \$16 million and \$18 million.
- The construction costs are estimated to be approximately \$15 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 start in late 2008 and be completed by 2010.
- The estimate assumes that the tax refunds would be paid in fiscal year 2010.

#### *Maintenance Facility*

- The total project cost is estimated to be \$13.45 million.
- The construction costs are estimated to be approximately \$11.9 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).

**REVENUE ANALYSIS DETAIL (Continued)**

- Construction is expected to be start in May 2007 and be completed by in July 2008.
- The estimate assumes that 80% of the tax refunds would be paid in fiscal year 2008 and the balance in fiscal year 2009.

**Number of Taxpayers:** Two buildings owned by the city of Richfield.

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)

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