MINNESOTA · REVENUE

SALES AND USE TAX
PROPERTY TAX
Mall of America

March 20, 2007

Preliminary Analysis

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1950 (Bakk) / H.F. 2237 (Nelson)

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
	(000's)			
General Fund	- - - To be determined - - -			

Sales tax exemption effective for sales after June 30, 2007, and before July 1, 2011.
TIF provisions effective upon local approval.

EXPLANATION OF THE BILL

Sales and Use Tax
Construction materials, supplies and equipment are normally considered taxable sales and thereby subject to sales and use tax.

The bill exempts building materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of a retail facility and related improvements within the Tax Increment District No. 1-G in the city of Bloomington.

Tax Increment Financing
The bill makes several changes to tax increment financing (TIF) statutes. For the city of Bloomington, the bill extends the time limit that increments can be collected on the Met Center TIF district from December 31, 2018, to December 31, 2025. The bill adds specified parcels to the city of Bloomington's TIF district No. 1-G. All increments from 1-G must be used for infrastructure costs. Local approval is required.

Bonding and Appropriation for Parking Facility
The bill appropriates $181 million from the bond proceeds fund to the Commissioner of Employment and Economic Development for a grant to the city of Bloomington for a parking facility for the Mall of America Phase II. To fund this appropriation, the bill authorizes the Commissioner of Finance to sell and issue bonds in an amount up to $181 million.

REVENUE ANALYSIS DETAIL

Sales and Use Tax

- The total project cost is roughly estimated at $1 billion. Absent specific information on construction costs and timeline, if the total cost is $1 billion and 55% of that amount is for materials, supplies, and equipment that would otherwise be taxable, the exemption would cost $35,750,000 for all years.
- This estimate can be refined and allocated to fiscal years as further information becomes available.

Property Tax

- The proposed exceptions to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in an increase in property tax refunds paid by the state.

Number of Taxpayers: This proposal is expected to apply to multiple construction projects within the phase II expansion at the Mall of America.

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

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