MINNESOTA · REVENUE

SALES AND USE TAX
PROPERTY TAX
Mall of America Expansion

March 25, 2008

	Yes	No
DOR Administrative Costs/Savings		X

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

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
		(000's)		
General Fund	$0	($20)	($3,200)	($11,800)*

*The fiscal year 2011 amount could increase significantly if purchasing/acquisitions are accelerated to meet the deadline and minimize costs – see discussion below.

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

- Information was provided by a city of Bloomington representative based on information from a consulting company.
- It is expected that the exemption will not apply to any renovation of the existing mall.
- The total project cost is estimated to be $2.08 billion including on-site private and public construction.
- The sales tax exemption does not include infrastructure (i.e. roadway improvements). The total project cost, net of infrastructure and non-construction development costs, is estimated to be $1,769,400,000.
- The construction company estimates that 55% of the project costs will be for materials, supplies, and equipment that would otherwise be taxable and 45% will be for labor-related costs.
- Information from the city and construction company indicates that the project may start at the end of calendar year 2008 and be completed after July 2014.
- Of the construction expenditures occurring before July 1, 2011, the expenditures for the first four years of construction are estimated to be 5% in the fiscal year 2010 and 19% in fiscal year 2011.
- Based on information provided by the consulting company, the total sales tax on the project would be $63.3 million. The estimates for fiscal years 2009 - 2011 could increase by up to an additional $48.3 million if expenditures assumed to occur after July 1, 2011, are made prior to that date. It has not been determined how much of the cost will be accelerated due to the proposed expiration date of July 1, 2011.

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 and
Property Tax Division – Research Unit
http://www.taxes.state.mn.us/taxes/legal_policy

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