SALES AND USE TAX
Public Safety Radio
Communication Systems

April 11, 2013

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 428 (Anzelc), ***As Proposed to be Amended (H0428A2)***

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
General Fund	($1,100)	($500)	($400)	($50)
Natural Resources and Arts Funds	($70)	($30)	($20)	(Negl.)
Total – All Funds	($1,170)	($530)	($420)	($50)

As proposed to be amended, effective for sales and purchases made after June 30, 2013.

EXPLANATION OF THE BILL

Current Law: Sales to state and local government are generally taxable. A sales and use tax exemption is in effect for products and services, including end-user items, purchased in constructing, operating, maintaining, and enhancing portions of the 800 megahertz public safety radio communication system, also known as the Allied Radio Matrix for Emergency Response, or ARMER (defined in M.S. Ch. 403). The exemption applies to phases one and two (the seven metropolitan counties plus Chisago and Isanti counties) and the portion of phase three that is located in the southeast district of the state patrol and in the counties of Benton, Sherburne, Stearns, Wright, and Itasca. Planning and development of the project is done by the Department of Public Safety; the system is owned and operated by the Department of Transportation.

Proposed Law: As proposed to be amended, the bill would exempt the development and maintenance of the rest of the ARMER system and other public safety radio systems. The 911 emergency response system is not included in the bill as amended.

Note: The bill does not define a "public safety radio communication system" beyond the ARMER system in current law. The analysis assumes that the exemption is intended to benefit local governments in Minnesota, but the potential impact of exempting public safety radio communication systems generally could be larger.

REVENUE ANALYSIS DETAIL

- The estimates are based on information from the Department of Public Safety. The estimates reflect that most counties that had planned to join the ARMER system did so in fiscal years 2012 and 2013.
- Estimated qualifying purchases made after June 30, 2013 were multiplied by the 6.875% sales tax rate and assigned to the funds that receive sales tax revenue.
- The estimates assume that some counties in the Northwest Region are considering a migration to the ARMER system in fiscal years 2014-2016.
- Because the exemption also includes purchases for maintenance and enhancement of the system, a small revenue impact is shown in FY 2017.

Number of Taxpayers: Estimated at 16 counties

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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