

# MINNESOTA • REVENUE

## SALES AND USE TAX Building Materials for Resorts and Campgrounds

April 3, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of S.F. 974 (Ingebrigtsen) / H.F. 1483 (Metsa)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2014</u></b>	<b><u>F.Y. 2015</u></b>	<b><u>F.Y. 2016</u></b>	<b><u>F.Y. 2017</u></b>
			(000's)	
General Fund	(\$470)	(\$490)	(\$510)	(\$540)
Natural Resources and Arts Funds	(\$25)	(\$30)	(\$30)	(\$30)
Total – All Funds	(\$495)	(\$520)	(\$540)	(\$570)

Effective for sales and purchases made after June 30, 2013.

### EXPLANATION OF THE BILL

Construction materials, supplies, and equipment are normally subject to the sales and use tax.

The bill would exempt materials and supplies used or consumed in, and equipment incorporated into, the improvement of an existing structure at a resort or at a recreational camping area, as defined. A “structure” includes a cabin at a resort and any other structure available for use by guests of the resort or recreational camping area.

### REVENUE ANALYSIS DETAIL

- The estimate is based on information from Explore Minnesota Tourism and Hospitality Minnesota. It was estimated that in 2012 that there are approximately 8,200 existing resort cabins. It was assumed that a resort cabin is remodeled or otherwise upgraded every 30 years.
- The average cost of an upgrade was estimated at \$22,000 per cabin. Of this amount, 60% was estimated to be attributable to construction materials, supplies, and incorporated equipment.
- It was estimated that in 2012 there are approximately 5,500 lodge or guest rooms at resorts. It was assumed that 20% of the rooms are upgraded each year
- The average cost of an upgrade was estimated at \$4,000 per room. Of this amount, 60% was estimated to be attributable to construction materials, supplies, and incorporated equipment.
- Expenditures on qualifying items in 2012 were increased to 2017 by projected nominal consumer spending on recreation services as published by IHS Global Insights, Inc., in February 2013.

**REVENUE ANALYSIS DETAIL (Cont.)**

- The figures were converted to fiscal year amounts and multiplied by the 6.875% state sales tax rate.
- The revenue estimate was increased by 7.5% to include campgrounds. The affected structures are mainly showers and restrooms.

**Number of Taxpayers:** There are an estimated 820 resorts in Minnesota. There are an estimated 770 private and public campgrounds, some of which will benefit from the proposed exemption.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)