

# MINNESOTA • REVENUE

## SALES AND USE TAX Housing and Redevelopment Authorities and Port Authorities

March 31, 2014

Department of Revenue  
Analysis of H.F. 2457 (Poppe) / S.F. 2550 (Sparks)

	Yes	No
DOR Administrative Costs/Savings		X

	<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	\$0	(\$3,300)	(\$3,700)	(\$3,700)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$190)</u>	<u>(\$210)</u>	<u>(\$220)</u>
Total – All Funds	\$0	(\$3,490)	(\$3,910)	(\$3,920)

Effective for sales and purchases made June 30, 2014.

### EXPLANATION OF THE BILL

Under a 2013 law change, cities and counties were exempted from paying the sales and use tax. The exemption took effect on January 1, 2014. (Townships were already exempt.) The exemption did not apply to lodging, prepared food, soft drinks, alcoholic beverages, or building materials acquired under a lump-sum contract. The exemption also did not apply to inputs to goods or services generally provided by a private business.

The bill broadens the exemption to include housing and redevelopment authorities and port authorities created or authorized to be created under M.S. Chapter 469.

### REVENUE ANALYSIS DETAIL

- This estimate is of housing and redevelopment authorities and port authorities that report their finances as special districts. Similar authorities which are included in city and county financial reports were part of the 2013 revenue estimate for the exemption of cities and counties.
- The estimates are based on the two most recent State Auditor reports for special districts. The figures were averaged to arrive at state fiscal year 2012 totals.
- Taxable portions of expenses and capital outlay by both government funds and enterprise funds were estimated and multiplied by the 6.875% state sales tax rate.
- The base-year estimates were increased annually through fiscal year 2017 by the historical and projected growth in state and local government spending, excluding wages and salaries, according to data from Global Insights, Inc.
- The estimate for fiscal year 2015 was adjusted for an effective date of July 1, 2014, with eleven months of impact in the first year.

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)