

MINNESOTA • REVENUE

SALES AND USE TAX Duluth School Property Redevelopment

May 5, 2016

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 3573 (Reinert) As Amended in Tax Committee (SCS3573A-1)

	Fund Impact			
	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>
			(000's)	
Total – All Funds	\$0	(\$1,000)	(\$4,000)	\$0

Effective for sales and purchases made after June 30, 2016, and before January 1, 2018.

EXPLANATION OF THE BILL

The bill creates an uncodified exemption from the sales and use tax for materials and supplies used in and equipment incorporated into a private redevelopment project on the site of the former Duluth Central High School. The exemption applies only if the redevelopment is subject to property taxes. The tax must be imposed and then refunded. As amended, refunds are limited to \$5 million.

REVENUE ANALYSIS DETAIL

- There is no specific proposal to redevelop the school site. It is assumed that the property is sold and a project pursued in fiscal year 2017.
- Estimates of the refund amounts and the timing of the refund payments are uncertain.
- For qualifying materials and supplies purchased prior to January 1, 2018, it is assumed that the maximum amount of refunds will be claimed. The maximum amount of eligible refunds would be reached for a project that costs over \$145 million with materials and supplies representing about 50% of the project cost.
- It is expected that most of the refunds will be paid in fiscal year 2018.

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

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