

February 18, 2020

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2090 (Davids) As Proposed to be Amended

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
General Fund	\$0	(\$1,850)	(\$3,850)	(\$4,000)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$110)</u>	<u>(\$220)</u>	<u>(\$230)</u>
Total – All Funds	\$0	(\$1,960)	(\$4,070)	(\$4,230)

As proposed to be amended, effective for sales and purchases made after June 30, 2020.

EXPLANATION OF THE BILL

Current Law: Construction materials, supplies, and equipment are generally subject to the sales and use tax.

Local government purchases are exempt from the sales and use tax including purchases of construction materials by local governments for their own use. The exemption does not apply to purchases of materials by a construction contractor unless the contractor is authorized to act as a purchasing agent for the local government.

Proposed Law: The bill, as proposed to be amended, provides an exemption for materials and supplies used or consumed in and equipment incorporated into the construction, remodeling, expansion, or improvement of a fire station or police station owned and operated by a local government. The exemption would also include related facilities, which the bill defines as access roads, lighting, sidewalks, and utility components on or adjacent to the fire or police station. The exemption would be administered as a refund.

REVENUE ANALYSIS DETAIL

- The estimates are based on annual finance reporting for cities, counties, towns, and special districts from the Office of the State Auditor.
- According to state auditor reports, there was a total of \$219 million of capital outlays for public safety in 2017 by cities, counties, towns, and special districts.
- It is estimated that 75% of the total is for materials and supplies used or consumed in and equipment incorporated into the construction, remodeling, expansion, or improvement of a fire station or police station owned and operated by a local government.
- It is assumed that 50% of the construction costs are for taxable construction materials and supplies.
- It is assumed that 75% of local government police and fire station projects do not use the purchasing agent agreement.
- The fiscal year 2021 estimates assume six months of impact.

Number of Taxpayers: There are over 800 cities, 87 counties, and other special districts that could benefit from the exemption.

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

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