

April 2, 2024

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 4868 (Hauschild) As Proposed to be Amended (SCS4868A-5)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>
			(000's)	
General Fund	\$0	\$0	(\$1,550)	(\$2,130)
Natural Resources and Arts Funds	<u>\$0</u>	<u>\$0</u>	<u>(\$90)</u>	<u>(\$120)</u>
Total – All Funds	\$0	\$0	(\$1,640)	(\$2,250)

Effective retroactively for sales and purchases made after December 31, 2023, and before July 1, 2026.

## EXPLANATION OF THE BILL

The bill, as proposed to be amended, would provide a sales and use tax exemption for materials, supplies, and equipment used in the construction, reconstruction, upgrade, expansion, renovation, or remodeling of the following projects in the cities of Duluth and Ely:

- An apartment development that includes at least 50 units
- A condominium development that includes at least 25 units
- A townhome development that includes at least ten units

The exemption would be administered as a refund and apply to purchases made after December 31, 2023, and before July 1, 2026. Refunds for eligible purchases would not be issued until after June 30, 2025.

## REVENUE ANALYSIS DETAIL

- Information for the estimates was provided by representatives of the cities of Duluth and Ely.
- For projects in the city of Duluth, taxable materials, supplies, and equipment are estimated to be \$53.6 million.
- For projects in the city of Ely, taxable materials, supplies, and equipment are estimated to be \$3 million.
- The timing of refund claims is assumed based on construction timelines provided.
- The estimates assume the exemption will be limited to projects outlined by the cities of Duluth and Ely. There are an unknown number of additional projects that may qualify.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)