

February 11, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 542 (Hauschild) As Proposed to be Amended (SCS0542A-3)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>	<b><u>F.Y. 2028</u></b>	<b><u>F.Y. 2029</u></b>
	(000's)			
General Fund	(\$600)	(\$1,680)	(\$1,440)	\$0
Natural Resources and Arts Funds	<u>(\$30)</u>	<u>(\$100)</u>	<u>(\$80)</u>	<u>\$0</u>
Total – All Funds	(\$630)	(\$1,780)	(\$1,520)	\$0

Effective for sales and purchases after June 30, 2025, and before July 1, 2027.

## 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 specific housing projects in the city of Ely and at the former Central High School site in the city of Duluth. A project would qualify if it is:

- An apartment development that includes at least 20 units
- A condominium development that includes at least 40 units
- A townhouse development that includes at least 40 units

The exemption would be administered as a refund.

## REVENUE ANALYSIS DETAIL

- Information for the estimates was provided by representatives of the cities of Ely and Duluth.
- For projects in the city of Duluth, taxable materials, supplies, and equipment are estimated to be \$54 million.
- For projects in the city of Ely, taxable materials, supplies, and equipment are estimated to be \$3.2 million.
- The timing of refund claims is assumed based on the project 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)