

April 18, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1402 (Murphy) As Proposed to be Amended (SCS1402A-1)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
General Fund	\$0	(\$1,500)	(\$1,300)	(\$1,100)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$100)</u>	<u>(\$100)</u>	<u>(\$100)</u>
Total – All Funds	\$0	(\$1,600)	(\$1,400)	(\$1,200)

Effective retroactively from January 1, 2021.

EXPLANATION OF THE BILL

The bill provides a sales and use tax exemption for construction materials consumed in, and equipment incorporated into, improvements to the McCarrons water treatment plant operated by Saint Paul Regional Water Services. As proposed to be amended, the exemption would apply to materials, supplies, and equipment purchased after December 31, 2020, and before January 1, 2027.

REVENUE ANALYSIS DETAIL

- Information for the estimates was provided by a representative from the city of St. Paul.
- Preliminary estimates for the project budget are approximately \$205 million.
- Total direct construction costs for the water treatment facility project are estimated to be approximately \$160 million.
- The costs of materials that will be exempted are estimated to be \$67 million.
- The project timeline is being developed. It is assumed that the project will start in calendar year 2022 and be completed in 2026.
- Based on information from the city, it is assumed that 90% of the materials will be purchased within the forecast period.
- It is assumed that for the materials purchased within the retroactive period, refunds will be claimed in fiscal year 2023.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>