

March 29, 2024

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3618 (Gruenhagen) As Proposed to be Amended (SCS3618A-1)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
			(000's)	
General Fund	\$0	(\$70)	(\$70)	\$0
Natural Resources and Arts Funds	<u>\$0</u>	<u>(Negl.)</u>	<u>(Negl.)</u>	<u>\$0</u>
Total – All Funds	\$0	(\$70)	(\$70)	\$0

Effective retroactively for sales and purchases made after April 30, 2024, and before February 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 a new water tower in the city of Watertown. The exemption would be administered as a refund and apply to purchases made after April 30, 2024, and before February 1, 2026.

REVENUE ANALYSIS DETAIL

- Information for the estimates was provided by a representative of the city of Watertown.
- It is estimated that total project costs will be \$6.4 million.
- Construction costs are estimated to be \$5.25 million.
- Taxable materials, supplies, and equipment are estimated to be \$2 million.
- Construction is expected to begin in fall 2024 and conclude in spring 2026.
- The distribution of refund claims is assumed based on the construction timeline provided.

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