

March 24, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2293 (Franson) As Proposed to be Amended (H2293DE1)

	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 – Sales Tax	(\$170)	(\$120)	\$0	\$0
General Fund – Appropriation	(\$120)	\$0	\$0	\$0
Natural Resources and Arts Funds	<u>(\$10)</u>	<u>(\$10)</u>	<u>\$0</u>	<u>\$0</u>
Total – All Funds	(\$300)	(\$130)	\$0	\$0

Effective the day following final enactment and applies retroactively to sales and purchases made after February 24, 2020.

EXPLANATION OF THE BILL

The bill provides an exemption from the sales and use tax for the following items used to repair, replace, clean, or otherwise remediate damage to real and personal property damaged or destroyed in the Alexandria fire on February 25, 2020, for:

- 1) building materials, supplies, and equipment incorporated into the construction, replacement, or repair of real property, and
- 2) durable equipment used in a restaurant for food storage, preparation, and serving.

The exemption applies to sales and purchases made after February 24, 2020, and before February 28, 2023.

The bill provides an exemption from the sales and use tax for cleaning and disinfecting services related to mitigating smoke damage in surrounding buildings impacted by the February fire for sales and purchases made after February 24, 2020, and before January 1, 2021.

Sales tax paid on sales and purchases made after February 24, 2020, and before July 1, 2021, will be refunded. For periods after July 1, 2021, the exemption applies at the time of purchase.

There is a one-time appropriation of \$120,000 from the general fund to the commissioner of public safety for grants to remediate the effects of the fire. The grants are available until June 30, 2023.

REVENUE ANALYSIS DETAIL

- The estimates are based on information from a representative of the city of Alexandria.
- The total building and construction costs are estimated at \$7 million. Materials and supplies are assumed to be fifty percent of the total costs.
- The durable equipment cost is estimated to be \$176,000.
- It is assumed that building materials and equipment purchases are evenly divided between fiscal years 2022 and 2023.

REVENUE ANALYSIS DETAIL *(cont.)*

- The total cleaning and disinfecting cost for the seventeen smoke damaged buildings is estimated to be \$765,000.
- It is assumed that the refund claims for building cleaning and disinfecting services will be filed and paid in fiscal year 2022.
- The appropriation cost to the general fund will be \$120,000 in fiscal year 2022.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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