



To: Rep. Marquart

From: Cynthia Templin, Fiscal Analyst
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Date: February 10, 2021

Re: Fire Station History – Sales Tax Exemptions

The purpose of this memo is to provide recent history and background covering sales tax exemptions for public safety and public safety facilities. Public safety within the context of this memo refers to police, fire, and law enforcement. In general from the 1990s to the current 2020 legislative session, exemptions from sales tax for public safety have evolved from being limited to equipment purchases for public safety radio communication systems for counties to the reinstatement of the full general exemption applied to qualifying purchases for local governments.

1990s and Early 2000s – Focus on Sales Tax Exemptions for Public Safety Radio Communication

In 1994, a sales tax exemption was enacted for firefighter personal protective equipment purchased or authorized by an organized fire department, fire protection district or fire company. In the 1990s and early 2000s, sales tax exemptions were also enacted for purchases made by cities and counties for public safety radio systems.

- 1997: A sales tax exemption on public safety radio systems (commonly referred to as ARMER system or the 800 MHz radio) in Minnesota Statute 297A. 70, subdivision 8 was enacted. It provided a temporary exemption for the purchases made by the seven metropolitan counties for products and services for construction, ownership, operation, maintenance, and enhancement of the backbone system of the region wide public safety radio communication system.
- 1997-2013: Several proposals to expand or extend the public safety radio communication exemption were enacted. Exemptions were enacted for the first and second phases of the system.

2011 to 2017 – Focus on Restoring General Sales Tax Exemption

From 2011 to 2017, sales tax exemptions for purchases related to the public safety radio communication systems were no longer needed after cities, counties and townships received a general sales tax exemption on qualifying purchases. Qualifying purchases, however, did not include construction materials purchased by contractors of cities and counties.

- 2011: Sales tax on qualifying purchases made by townships were exempt effective for purchases made after September 30, 2011 (Laws of 2011, first special session, chapter 7).

- 2013: Sales tax on qualifying purchases made by cities and counties were exempt effective for purchases made after December 31, 2013 (Laws of 2013, Chapter 143).
- 2014-2017: Sales tax exemption on qualifying purchases made by cities and counties was expanded to include all local entities effective January 1, 2016 and the Metropolitan Council effective January 1, 2017 (Laws of 2014, Chapter 308).

2013 to 2018 – Sales Tax Exemptions for Construction Materials Provided for Various Types of Projects

In mid 2010s, omnibus tax bills were enacted in 2013, 2014 and 2017. In those enacted tax bills, the sales tax exemptions for construction materials were directed to mainly economic development projects.

- 2013: Sales tax on construction materials exempt for various economic development projects including the development plan for Destination Medical Center, an industrial measurement and manufacturing and control facility, a biopharmaceutical manufacturing facility, and a research and development facility.
- 2017: Sales tax on construction materials exempt for replacement of real property destroyed by fire, the construction and improvement of an ice arena and other projects.

2019 to 2020 – Focus on Sales tax on construction materials for Public Safety Facilities

During the 2019 session, the 2019 omnibus tax bill contained multiple sales tax exemptions for construction material purchases for various projects including the improvement or construction of public safety facilities.

- 2019: Sales tax exemptions on construction materials were enacted for real properties affected by fires in the cities of Melrose and Mazeppa. Sales tax exemptions for the construction or improvement of public safety facilities were also enacted in Dakota county, and cities of Inver Grove Heights, Mendota Heights, Monticello, and Minnetonka. (Laws of 2019, First Special Session, Chapter 6). The total estimated revenue reductions for the enactment of these sales tax exemptions on construction materials is \$2.1 million in the FY 2020-21 biennium and \$20,000 in the FY 2022-23 biennium.
- 2020: More bill proposals for sales tax exemptions on construction material used for the building or improvement of public safety facilities have been introduced.

TABLE A lists all the 2021 bill proposals (as of February 5, 2021) for sales tax construction materials exemptions for various projects.

TABLE B shows all the enacted sales tax construction materials exemptions from 2013 to 2019.

TABLE A: 2021 Session – Sales Tax Construction Materials Exemption for Public Safety and Other Facility Bill Proposals as of February 5, 2021

HF	House Author	Short Description	Effective Date	FY 22-23 Revenue Reduction (all funds)	Status
HF 65	Klevorn	Construction purchases exempt by refund, City of Plymouth for Fire Station No. 2 and No. 3.	1/2/21 to 2/28/23	-\$620K in FY 22-23	Laid over
HF 181	Fischer	Construction purchases exempt by refund, City of Plymouth for new emergency management operations center and fire station.	10/1/20 to 3/31/23	-\$450K in FY 22-23	Scheduled to be heard
HF 438	Swedzinski	Construction purchases exempt by refund, I.S.D 413, Marshall, for school buildings.	5/2/19 to 12/31/21	-\$790K in FY 22-23	Scheduled to be heard
HF 216	Heinrich	Construction purchases exempt by refund, City of Ramsey, for a public works facility and other on-site infrastructure.	7/1/20 to 12/31/22	\$320K in - FY22-23	Scheduled to be heard
HF 495	Akland	Construction purchases exempt by refund, City of St. Peter, for a fire station.	4/2/22 to 2/28/24	-\$280K in FY 22-23	Scheduled to be heard
HF 574	Howard	Construction purchases exempt by refund, City of Bloomington, for a fire station.	7/15/21 to 12/31/23	-\$160K in FY 22-23 with tails impact	Scheduled to be heard
HF 654	Acomb	Extension of construction exemption by refund, City of Minnetonka, for a fire station and police station.	5/24/19 to 12/31/21	-\$200K in FY 2022	Scheduled to be heard
HF 768	Swedzinski	Construction purchases exempt by refund for building, construction, or reconstruction materials, supplies and equipment by a contractor for local governments and nonprofits.	Purchases after 7/1/2021	-\$104.5 million in FY 22-23	Scheduled to be heard
HF 525	Lislegard	Construction purchases exempt by refund for building, construction, or reconstruction materials, supplies and equipment by a contractor for a regional public safety center and recreation complex and convention center.	5/2/20 to 4/30/22	-\$940K in FY 22-23	
HF 650	O'Neil	Construction purchases exempt by refund, City of Buffalo, for a fire station.	5/1/20 to 10/31/21	-\$240K in FY 22-23	Scheduled to be heard

TABLE B: 2013 to 2019 Enacted Sales Tax Construction Exemption Bill Proposals

HF	House Author	Short Description	Status
HF 409	Norton	Exempts construction materials and improvements of publicly owned buildings and infrastructure in the development plan for the Destination Medical Center. Effective for purchases made after June 30, 2015.	Enacted in 2013, Chapter 143
HF1012	Beard	Exempts construction materials and capital equipment incorporated into an industrial measurement manufacturing and controls facility provided certain conditions are met. Effective for purchases made after June 30, 2013 and before December 31, 2015.	Enacted in 2013, Chapter 143
HF 1781	Hortman	Exemption by refund for construction materials and capital equipment incorporated into a biopharmaceutical manufacturing facility. Effective for purchases made after December 31, 2012 and before July 1, 2109.	Enacted in 2013, Chapter 143
		Exemption by refund for construction materials used for a research and development facility. Effective for purchases made after June 30, 2013 and before September 1, 2015.	Enacted in 2013, Chapter 143
HF 2709	Swedzinski, C.	Up-front exemption for construction materials donated for a City Library. Retroactively effective for purchases made April 1, 2014 and before June 30, 2015.	Enacted in 2014, Chapter 308
HF 924	Anderson, S.	Exemption by refund on constructions materials purchased for an ice arena and other buildings owned by the city of Plymouth. Exemption capped at \$2.5 million and is retroactively effective for purchases made prior to December 31, 2015.	Enacted in 2017, 1SS, Chapter 1
HF 1215	Cornish, T.	Exemption by refund on constructions materials for building or replacement of real property in the city of Madelia affected by the fire on February 3, 2016.	Enacted in 2017, 1SS, Chapter 1
HF 532	Anderson, P.	Exemption by refund on constructions materials for building or replacement of real property in the city of Melrose affected by the fire on September 8, 2016. Effective for purchases made after September 8, 2016 and before July 1, 2017.	Enacted in 2017, 1SS, Chapter 1
HF 1592	Hoppe, J.	Up-front exemption for construction materials for a sports facility project estimated to cost at least \$100 million. Effective day following enactment.	Enacted in 2017, 1SS, Chapter 1
HF 504		Exemption by refund for construction materials used by a nonprofit economic development corporation for construction of a retail development. Effective retroactively to January 1, 2013 and before January 1, 2017.	Enacted in 2017, 1SS, Chapter 1
HF 1356	O'Neill, M.	Exemption by refund for construction materials for a new fire station in the city of Monticello. This is effective for purchases made after January 31, 2019 to December 31, 2021. Retroactively effective from February 1, 2019 to December 31, 2021.	Enacted in 2019, 1SS, Chapter 6

HF	House Author	Short Description	Status
HF 279	Richardson, R.	Exemption by refund for materials and supplies used in the construction of a new fire station in Inver Grove Heights. Retroactively effective for purchases made after June 30, 2018 to December 31, 2020.	Enacted in 2019, 1SS, Chapter 6
HF 333	Acomb, P.	Exemption by refund for materials and supplies used in the construction or improvement of public safety (police and fire station) facilities in City of Minnetonka. The exemption is retroactively effective to May 24, 2019 to December 31, 2020.	Enacted in 2019, 1SS, Chapter 6
HF 1442	Swedzinski, C.	Construction exemption by refund for a school building in ISD 414 (Minneota). Retroactively effective for January 2, 2018 to December 31, 2020.	Enacted in 2019, 1SS, Chapter 6
HF 1563	Richardson, R.	Exemption by refund for construction purchases used for a fire station in the city of Mendota Heights. Exemption is retroactively effective for purchases made after December 31, 2018 and before January 1, 2021.	Enacted in 2019, 1SS, Chapter 6
HF 1813	Richardson, R.	Upfront construction exemption for a law enforcement facility in Dakota County. Exemption would apply between July 1, 2019 to 6/30/2020.	Enacted in 2019, 1SS, Chapter 6
HF 215		City of Melrose – Construction exemption for property replacement	Enacted in 2019, 1SS, Chapter 6
HF 695	Drazkowski	City of Mazeppa- Construction exemption for property replacement	Enacted in 2019, 1SS, Chapter 6