

March 14, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2530 (Dahms) / H.F. 2655 (Torkelson)

	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	(\$900)	(\$900)	\$0	\$0
Natural Resources and Arts Funds	<u>(\$50)</u>	<u>(\$50)</u>	<u>\$0</u>	<u>\$0</u>
Total – All Funds	(\$950)	(\$950)	\$0	\$0

Effective retroactively from January 1, 2022, and applies to sales and purchases made after December 31, 2021, and before July 1, 2025.

EXPLANATION OF THE BILL

The bill would provide a sales and use tax exemption for materials, supplies, and equipment used in the construction of a new prekindergarten through grade 12 learning facility in ISD 2884, Red Rock Central School District.

The bill also provides a sales and use tax exemption for materials, supplies, and equipment used in the construction of the following projects in ISD 85, Springfield School District:

- Construction of a main secure entrance
- Construction of a required tornado storm shelter
- Installation of HVAC improvements
- Conversion of the existing school gymnasium for use for career and technical education trades and auto shop, and
- Addition of new school gymnasium

The exemption would be administered as a refund. Refunds would not be issued until after June 30, 2023.

REVENUE ANALYSIS DETAIL

- Information for the estimates was provided by representatives of the affected school districts.
- Total construction costs for the Red Rock School District project is approximately \$41 million.
- It is estimated that taxable materials, supplies, and equipment for the Red Rock project would be \$16.3 million.
- Total project costs for the Springfield School District projects are \$19.8 million.

- It is estimated that taxable materials, supplies, and equipment for the Springfield projects would be \$11.3 million.
- The timing of refund claims is expected to affect the estimates.
- It is assumed that all refund claims would be filed and paid in fiscal years 2024 and 2025.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)

sf2530(hf2655) School Building Construction_1 / trc