

February 18, 2025

Revised to reflect additional information from the city

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 167 (Gruenhagen) / H.F. 456 (Harder)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	(\$660)	(\$70)	\$0	\$0
Natural Resources and Arts Funds	<u>(\$40)</u>	<u>(Negl.)</u>	<u>\$0</u>	<u>\$0</u>
Total – All Funds	(\$700)	(\$70)	\$0	\$0

Effective retroactively for sales and purchases made after February 28, 2022, and before February 1, 2026.

EXPLANATION OF THE BILL

The bill 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 and a wastewater treatment facility in the city of Watertown. The exemption would be administered as a refund. Refunds would not be issued until after June 30, 2025.

REVENUE ANALYSIS DETAIL

- Information for the estimates was provided by a representative of the city of Watertown.
- Total project costs for the wastewater treatment facility are \$23.7 million.
- Total construction costs for the wastewater treatment facility are \$20.9 million.
- Taxable materials costs for the wastewater treatment facility are \$9.2 million.
- Total project costs for the water tower are \$6.9 million.
- Total construction costs for the water tower are \$5.1 million.
- Taxable materials costs for the water tower are estimated to be \$2 million.
- It is assumed that all refunds for the wastewater treatment facility will be claimed and paid in fiscal year 2026 based on the project timeline provided.
- It is assumed that refund claims for the water tower will be claimed and paid evenly in fiscal years 2026 and 2027 based on the project timeline provided.

Minnesota Department of Revenue
Tax Research Division
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