

# SALES TAX EXEMPTION OF LOCAL FACILITIES CONSTRUCTION

The City of Bloomington Fire Department is an all-risk fire protection public agency that provides fire, emergency medical response, hazardous materials response, and technical rescue services with a response area of 38 square miles. In 2018 the Department responded to 1627 calls for service. The City of Bloomington will be replacing four fire stations in the next seven years. These stations were constructed in the 1960's and are functionally obsolete. The new fire stations will be constructed to accommodate current and new fire trucks, as well as living quarters, training space, and a commercial kitchen so the fire house can be a safe haven in case of emergencies.



Current Fire Station No. 4

The City is planning to reconstruct Fire Station No. 4 in the Spring of 2022 with completion in 2023. This will include the demolition of the existing building and constructing a new station on the existing site. It will cost approximately \$8,000,000, and will provide the facility necessary for firefighters to provide service to the City Minnesota Sales Tax law (MN Statutes, § 297A.70, subd. 2) allows cities and counties to be exempt from Sales and Use tax on purchases used to provide certain government services. This exemption, started on January 1, 2014, applied to the majority of City purchases. In order for a City to pass on its sales tax exemption for the purchase of supplies and materials for construction, the City and contractors need to enter into a Purchasing Agent Agreement. The Purchasing Agent Agreement option is rarely ever executed due to too many variables, risks, and liabilities on the City or agency. In the Purchasing Agent Agreement process, the City would take title to all materials and supplies at the point of delivery, be responsible for the risk of loss for all materials and supplies, and be responsible for all materials and supplies including those incorporated into realty.

Rather than assume the risk of utilizing a Purchasing Agent Agreement, the City of Bloomington would prefer to have the materials for its future construction of Fire Station No. 4 be tax exempt by amending Minn. Stat. § 297A.71, similar to the 2019 legislation for other agencies. The cost saving could be higher based on the cost of material increase we are seeing. \$275,000 or \$300,000.

## SUPPORT SALES TAX EXEMPTION OF FIRE STATION NO. 4 CONSTRUCTION

The City supports Amending Minn. Stat. § 297A.71 by adding a new subdivision to provide a sales tax exemption for materials and supplies used in, and equipment incorporated into:

- A new Fire Station No. 4 in Bloomington (for purchase after January 1, 2021, and before December 31, 2023) for a not-to-exceed exemption of \$250,000.
- As in previous legislation, the tax must be paid at the time of purchase and refunded for each of the projects.

## SUPPORT GENERAL SALES TAX EXEMPTION

The City also supports a general sales tax exemption for municipal purchases. The City of Bloomington has benefited from the sales tax exemption that has been in effect for municipalities since January 1, 2014. It has reduced costs on the majority of goods and services purchased. It has also streamlined the vendor payment process by reducing confusion over which goods and services were taxable or the correct sales tax rate. It also eliminated the need for manually accruing and paying sales taxes to the State on purchases that were not taxed by vendors.

## QUESTIONS

For more information, contact Lori Economy-Scholler, Chief Financial Officer, at 952-563-8791.