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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2019

03/19/2015 Authored by McDonald; Anderson, M.; Nash; Barrett; Davids and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; sales and use tax; providing an exemption for an annual city
1.3 celebration; amending Minnesota Statutes 2014, section 297A.70, by adding a
1.4 subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 297A.70, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 20. City celebrations. (a) Sales of tangible personal property or services and
1.9 admissions charges to a city-designated annual city celebration designed to promote
1.10 community spirit and cooperation are exempt. Exempt sales include the sale of prepared
1.11 food, candy, soft drinks, malt liquor and wine as defined in section 340.101, subdivision
1.12 19, at the event. The governing board of a statutory or home rule charter city with a
1.13 population of less than 10,000 may designate one event in each calendar year as the annual
1.14 city celebration that qualifies for the exemption under this subdivision. For a celebration
1.15 to qualify, it must meet the following requirements:

1.16 (1) the event must be held on consecutive days, not to exceed five days in total;

1.17 (2) the event must be run either by the city or by a nonprofit organization designated
1.18 by the city;

1.19 (3) all gross receipts of the event are recorded as such, in accordance with generally
1.20 accepted accounting practice on the books of the city or the designated nonprofit
1.21 organization; and

1.22 (4) the entire proceeds, less the necessary expenses, will be distributed to one or
1.23 more of the following for charitable, educational, civic, or governmental purposes:

1.24 (i) the city's general fund;

2.1 (ii) a nonprofit 501(c)(3) organization to promote its primary mission; or
2.2 (iii) a nonprofit 501(c)(4) organization to promote its primary mission, however, no
2.3 revenues from this event may be used by the organization for lobbying or political activities.

2.4 (b) This exemption is limited in the following manner:

2.5 (1) it does not apply to admission charges for events involving bingo or other
2.6 gambling activities or to charges for use of amusement devices involving bingo or other
2.7 gambling activities;

2.8 (2) all gross receipts are taxable if the profits are not used solely and exclusively for
2.9 charitable, educational, civic, or governmental purposes; and

2.10 (3) it does not apply unless the city or designated nonprofit organization keeps a
2.11 separate accounting record, including receipts and disbursements for all events included
2.12 in the celebration that documents all deductions from gross receipts with receipts and
2.13 other records.

2.14 (c) For purposes of this subdivision, "nonprofit organization" means any unit of
2.15 government, corporation, society, association, foundation, or institution organized and
2.16 operated for charitable, religious, educational, civic, fraternal, and senior citizens' or
2.17 veterans' purposes, no part of the net earnings of which inures to the benefit of a private
2.18 individual.

2.19 (d) For purposes of this subdivision, "city celebration" means any of the following
2.20 activities or combination of activities of limited duration, not regularly carried out in the
2.21 normal course of business, that attract patrons for community, social, and entertainment
2.22 purposes, such as parades, auctions, bake sales, ice cream socials, block parties, carnivals,
2.23 competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, fairs,
2.24 fashion shows, festivals, galas, special event workshops, sporting activities such as
2.25 marathons and tournaments, and similar events. A city celebration does not include the
2.26 operation of a regular place of business in which services are provided or sales are made
2.27 during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing
2.28 Internet sales, or regularly scheduled activities carried out in the normal course of business.

2.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
2.30 June 30, 2015.

2.31 **Sec. 2. AMNESTY; CERTAIN LOCAL FESTIVALS.**

2.32 A nonprofit organization that organized and ran a city celebration on behalf of
2.33 a group of nonprofit organizations, of which all of the net proceeds were distributed to
2.34 a combination of 501(c)(3) and 501(c)(4) nonprofit organizations that use the proceeds
2.35 primarily for charitable, educational, civic, or governmental purposes shall not be liable

3.1 for any state or local uncollected and unpaid sales and use tax, penalties, or interest
3.2 incurred in running the city celebration, for celebrations held before January 1, 2015. The
3.3 amnesty in this section does not apply to sales and use taxes already paid or remitted to the
3.4 state or to sales taxes already collected by the organization. The amnesty does apply to an
3.5 audit of an organization as long as the audit is not finally resolved.

3.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.