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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2692

03/25/2019 Authored by Marquart 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; expanding the exemption to certain purchases
1.3 by nonprofit organizations; amending Minnesota Statutes 2018, section 297A.70,
1.4 subdivision 4.

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

1.6 Section 1. Minnesota Statutes 2018, section 297A.70, subdivision 4, is amended to read:

1.7 Subd. 4. Sales to nonprofit groups. (a) All sales, except those listed in paragraph (b)
1.8 (c), to the following "nonprofit organizations" are exempt if the item purchased is used in
1.9 the performance of the organization's exempt function. The exemptions under this paragraph
1.10 do not apply to:

1.11 (1) a corporation, society, association, foundation, or institution organized and operated
1.12 exclusively for charitable, religious, or educational purposes if the item purchased is used
1.13 in the performance of charitable, religious, or educational functions veterans groups under
1.14 subdivision 5;

1.15 (2) any senior citizen group or association of groups that: hospitals, outpatient surgical
1.16 centers, and critical access dental providers under subdivision 7, paragraphs (a) to (c), (e),
1.17 and (f);

1.18 (i) in general limits membership to persons who are either age 55 or older, or physically
1.19 disabled;

1.20 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit
1.21 purposes, not including housing, no part of the net earnings of which inures to the benefit
1.22 of any private shareholders; and

2.1 ~~(iii) is an exempt organization under section 501(e) of the Internal Revenue Code; and~~
 2.2 (3) products and services under subdivision 7, paragraph (d);
 2.3 (4) nursing homes and boarding care homes under subdivision 18; or
 2.4 ~~(3)~~ (5) an organization that qualifies for an exemption for memberships under subdivision
 2.5 12 if the item is purchased and used in the performance of the organization's mission.

2.6 (b) For purposes of this subdivision, charitable purpose includes the maintenance of a
 2.7 cemetery owned by a religious organization. "nonprofit organization" means:

2.8 (1) an organization that has:

2.9 (i) a current federal determination letter stating that the nonprofit organization qualifies
 2.10 as an exempt organization under section 501(c)(3) of the Internal Revenue Code; and

2.11 (ii) obtained a Minnesota tax identification number from the Department of Revenue
 2.12 under section 297A.83; or

2.13 (2) any senior citizen group or association of groups that:

2.14 (i) in general, limits membership to persons who are either age 55 or older or physically
 2.15 disabled;

2.16 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit
 2.17 purposes, not including housing, no part of the net earnings of which inures to the benefit
 2.18 of any private shareholders; and

2.19 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

2.20 ~~(b)~~ (c) This exemption does not apply to the following sales:

2.21 (1) building, construction, or reconstruction materials purchased by a contractor or a
 2.22 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
 2.23 maximum price covering both labor and materials for use in the construction, alteration, or
 2.24 repair of a building or facility;

2.25 (2) construction materials purchased by tax-exempt entities or their contractors to be
 2.26 used in constructing buildings or facilities that will not be used principally by the tax-exempt
 2.27 entities;

2.28 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
 2.29 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,
 2.30 subdivision 2, except wine purchased by an established religious organization for sacramental
 2.31 purposes or as allowed under subdivision 9a; and

3.1 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
3.2 provided in paragraph ~~(e)~~ (d).

3.3 ~~(e)~~ (d) This exemption applies to the leasing of a motor vehicle as defined in section
3.4 297B.01, subdivision 11, only if the vehicle is:

3.5 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
3.6 passenger automobile, as defined in section 168.002, if the automobile is designed and used
3.7 for carrying more than nine persons including the driver; and

3.8 (2) intended to be used primarily to transport tangible personal property or individuals,
3.9 other than employees, to whom the organization provides service in performing its charitable,
3.10 religious, or educational purpose.

3.11 ~~(d)~~ (e) A limited liability company also qualifies for exemption under this subdivision
3.12 if (1) it consists of a sole member that would qualify for the exemption, and (2) the items
3.13 purchased qualify for the exemption.

3.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
3.15 30, 2019.