

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 1795

(SENATE AUTHORS: EKEN)

DATE
03/06/2017

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1068 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; sales and use; expanding exemptions for certain nonprofits;
1.3 amending Minnesota Statutes 2016, section 297A.70, subdivisions 4, 12.

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

1.5 Section 1. Minnesota Statutes 2016, section 297A.70, subdivision 4, is amended to read:

1.6 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),
1.7 to the following "nonprofit organizations" are exempt:

1.8 (1) a corporation, society, association, foundation, or institution organized and operated
1.9 exclusively for charitable, religious, or educational purposes if the item purchased is used
1.10 in the performance of charitable, religious, or educational functions; ~~and~~

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

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

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

1.17 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

1.18 (3) an organization that qualifies for an exemption for memberships under subdivision
1.19 12 if the item is purchased and used in the performance of the organization's mission.

1.20 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery
1.21 owned by a religious organization.

2.1 (b) This exemption does not apply to the following sales:

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

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

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

2.13 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
2.14 provided in paragraph (c).

2.15 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,
2.16 subdivision 11, only if the vehicle is:

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

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

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

2.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
2.27 30, 2017.

2.28 Sec. 2. Minnesota Statutes 2016, section 297A.70, subdivision 12, is amended to read:

2.29 Subd. 12. **YMCA, YWCA, and JCC, and similar memberships.** (a) The sale of
2.30 memberships, meaning both onetime initiation fees and periodic membership dues, to an
2.31 association incorporated under section 315.44 or an organization defined under section
2.32 315.51, or a nonprofit organization offering similar services are exempt. However, all

3.1 separate charges made for the privilege of having access to and the use of the association's
3.2 sports and athletic facilities are taxable.

3.3 (b) For purposes of this subdivision, a "nonprofit organization offering similar services"
3.4 means an organization described in section 501(c)(3) of the Internal Revenue Code, whose
3.5 mission is to support youth and families through a variety of activities, including membership
3.6 allowing access to athletic facilities, and who provide free or reduced-price memberships
3.7 to seniors or low-income persons or families.

3.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
3.9 30, 2017.