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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2195

02/25/2014 Authored by Freiberg, Carlson, Selcer, Yarusso and Rosenthal  
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; modifying the exemption for local government  
1.3 purchases; amending Minnesota Statutes 2013 Supplement, section 297A.70,  
1.4 subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 2,  
1.7 is amended to read:

1.8 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),  
1.9 to the following governments and political subdivisions, or to the listed agencies or  
1.10 instrumentalities of governments and political subdivisions, are exempt:

1.11 (1) the United States and its agencies and instrumentalities;

1.12 (2) school districts, local governments, the University of Minnesota, state universities,  
1.13 community colleges, technical colleges, state academies, the Perpich Minnesota Center for  
1.14 Arts Education, and an instrumentality of a political subdivision that is accredited as an  
1.15 optional/special function school by the North Central Association of Colleges and Schools;

1.16 (3) hospitals and nursing homes owned and operated by political subdivisions of  
1.17 the state of tangible personal property and taxable services used at or by hospitals and  
1.18 nursing homes;

1.19 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip  
1.20 operations provided for in section 473.4051;

1.21 (5) other states or political subdivisions of other states, if the sale would be exempt  
1.22 from taxation if it occurred in that state; and

2.1 (6) public libraries, public library systems, multicounty, multitype library systems  
 2.2 as defined in section 134.001, county law libraries under chapter 134A, state agency  
 2.3 libraries, the state library under section 480.09, and the Legislative Reference Library.

2.4 (b) This exemption does not apply to the sales of the following products and services:

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

2.9 (2) construction materials purchased by tax exempt entities or their contractors to  
 2.10 be used in constructing buildings or facilities which will not be used principally by the  
 2.11 tax exempt entities;

2.12 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11,  
 2.13 except for leases entered into by the United States or its agencies or instrumentalities;

2.14 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
 2.15 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
 2.16 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic  
 2.17 beverages purchased directly by the United States or its agencies or instrumentalities; or

2.18 (5) goods or services purchased by a local government as inputs to ~~goods and services~~  
 2.19 ~~that are generally provided by a private business and the purchases would be taxable if~~  
 2.20 ~~made by a private business engaged in the same activity~~ liquor store, gas and electric  
 2.21 utility, golf course, marina, health and fitness center, campground, cafe, or laundromat.

2.22 (c) As used in this subdivision, "school districts" means public school entities and  
 2.23 districts of every kind and nature organized under the laws of the state of Minnesota, and  
 2.24 any instrumentality of a school district, as defined in section 471.59.

2.25 (d) As used in this subdivision, "local governments" means cities, counties, and  
 2.26 townships and their instrumentalities, including any special district organized under a  
 2.27 joint powers agreement under section 471.59 where at least 50 percent or more of the  
 2.28 governmental units that are party to the joint powers agreement are exempt from sales  
 2.29 tax under paragraph (a).

2.30 (e) ~~As used in this subdivision, "goods or services generally provided by a private~~  
 2.31 ~~business" include, but are not limited to, goods or services provided by liquor stores, gas~~  
 2.32 ~~and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes,~~  
 2.33 ~~and laundromats. "Goods or services generally provided by a private business" do not~~  
 2.34 ~~include housing services, sewer and water services, wastewater treatment, ambulance and~~  
 2.35 ~~other public safety services, correctional services, chore or homemaking services provided~~  
 2.36 ~~to elderly or disabled individuals, or road and street maintenance or lighting.~~

- 3.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
- 3.2 June 30, 2014.