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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2247

02/25/2014 Authored by Clark
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; exempting public housing authorities from certain sales taxes;
1.3 making public housing authority payments in lieu of taxes optional rather than
1.4 mandatory; amending Minnesota Statutes 2012, section 469.040, subdivision 3;
1.5 Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 2.

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

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

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

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

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

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

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

1.22 (5) other states or political subdivisions of other states, if the sale would be exempt
1.23 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
 2.19 services that are generally provided by a private business and the purchases would be
 2.20 taxable if made by a private business engaged in the same activity.

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

2.24 (d) As used in this subdivision, "local governments" means cities, counties, ~~and~~
 2.25 townships, public housing agencies, and housing and redevelopment authorities.

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

2.33 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 2.34 June 30, 2014.

2.35 Sec. 2. Minnesota Statutes 2012, section 469.040, subdivision 3, is amended to read:

3.1 Subd. 3. ~~Statement filed with assessor; percentage tax on rentals~~ Optional
3.2 payments in lieu of taxes. Notwithstanding the provisions of subdivision 1, after a housing
3.3 project or a housing development project carried on under sections 469.016 to 469.026 has
3.4 become occupied, in whole or in part, an authority shall file with the assessor, on or before
3.5 April 15 of each year, a statement of the aggregate shelter rentals of that project collected
3.6 during the preceding calendar year. Unless a greater amount has been agreed upon between
3.7 the authority and the governing body or bodies for which the authority was created, in
3.8 whose jurisdiction the project is located, five percent of the aggregate shelter rentals shall
3.9 be charged to the authority as a service charge for the services and facilities to be furnished
3.10 with respect to that project. The service charge shall be collected from the authority in
3.11 the manner provided by law for the assessment and collection of taxes. The amount so
3.12 collected shall be distributed to the several taxing bodies in the same proportion as the tax
3.13 rate of each bears to the total tax rate of those taxing bodies. The governing body or bodies
3.14 for which the authority has been created, in whose jurisdiction the project is located, may
3.15 agree with the authority for the payment of a service charge payments in lieu of taxes for a
3.16 housing project or a housing development project in an amount greater than five percent of
3.17 the aggregate annual shelter rentals of any project, upon the basis of shelter rentals or upon
3.18 another basis agreed upon. The service charge payments may not exceed the amount which
3.19 would be payable in taxes were the property not exempt. ~~If such an agreement is made,~~
3.20 ~~the service charge so agreed upon shall be collected and distributed in the manner above~~
3.21 ~~provided. If the project has become occupied, or if the land upon which the project is to be~~
3.22 ~~constructed has been acquired, the agreement shall specify the location of the project for~~
3.23 ~~which the agreement is made. "Shelter rental" means the total rentals of a housing project~~
3.24 ~~exclusive of any charge for utilities and special services such as heat, water, electricity, gas,~~
3.25 ~~sewage disposal, or garbage removal. "Service charge" means payment in lieu of taxes.~~
3.26 The records of each project shall be open to inspection by the proper assessing officer.

3.27 EFFECTIVE DATE. This section is effective January 1, 2015.