

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 4834

(SENATE AUTHORS: WEBER and Dahms)

DATE
03/25/2026

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6986 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; sales and use; providing an exemption for local governments
1.3 on the purchase of motor vehicle leases and construction materials when purchased
1.4 by a contractor or subcontractor; amending Minnesota Statutes 2024, section
1.5 297A.70, subdivision 2.

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

1.7 Section 1. Minnesota Statutes 2024, section 297A.70, subdivision 2, is amended to read:

1.8 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the
1.9 following governments and political subdivisions, or to the listed agencies or instrumentalities
1.10 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 the
1.17 state of tangible personal property and taxable services used at or by hospitals and nursing
1.18 homes;

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

2.1 (5) public libraries, public library systems, multicounty, multitype library systems as
2.2 defined in section 134.001, county law libraries under chapter 134A, state agency libraries,
2.3 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 or a
2.6 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
2.7 maximum price covering both labor and materials for use in the construction, alteration, or
2.8 repair of a building or facility, except for materials purchased on behalf of local governments;

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

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

2.15 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
2.16 prepared food, candy, soft drinks, alcoholic beverages as defined in section 297A.67,
2.17 subdivision 2, and taxable cannabis products as defined under section 295.81, subdivision
2.18 1, paragraph (r), except for lodging, prepared food, candy, soft drinks, alcoholic beverages,
2.19 and taxable cannabis products purchased directly by the United States or its agencies or
2.20 instrumentalities; or

2.21 (5) goods or services purchased by a local government as inputs to a liquor store, taxable
2.22 cannabis product retailer as defined under section 295.81, subdivision 1, paragraph (p), gas
2.23 or electric utility, solid waste hauling service, solid waste recycling service, landfill, golf
2.24 course, marina, campground, cafe, or laundromat.

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

2.28 (d) For purposes of the exemption granted under this subdivision, "local governments"
2.29 has the following meaning:

2.30 (1) for the period prior to January 1, 2017, local governments means statutory or home
2.31 rule charter cities, counties, and townships; and

2.32 (2) beginning January 1, 2017, local governments means statutory or home rule charter
2.33 cities, counties, and townships; special districts as defined under section 6.465; any

3.1 instrumentality of a statutory or home rule charter city, county, or township as defined in
3.2 section 471.59; and any joint powers board or organization created under section 471.59.

3.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
3.4 30, 2026.