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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2387**

03/08/2016 Authored by Freiberg, Youakim, Carlson, Loeffler and Schoen
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 taxes; sales and use; accelerating the effective date for certain
1.3 exemptions for local governments; amending Minnesota Statutes 2015
1.4 Supplement, section 297A.70, subdivision 2.
1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2015 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) notwithstanding paragraph (d), the sales and purchases by the Metropolitan
1.20 Council of vehicles and repair parts to equip operations provided for in section 473.4051
1.21 are exempt through December 31, 2016;

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 a liquor store, gas
 2.19 or electric utility, solid waste hauling service, solid waste recycling service, landfill, golf
 2.20 course, marina, campground, cafe, or laundromat.

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) For purposes of the exemption granted under this subdivision, "local
 2.25 governments" has the following meaning:

2.26 (1) for the period prior to January 1, ~~2017~~ 2016, local governments means statutory
 2.27 or home rule charter cities, counties, and townships; and

2.28 (2) beginning January 1, ~~2017~~ 2016, local governments means statutory or home rule
 2.29 charter cities, counties, and townships; special districts as defined under section 6.465; any
 2.30 instrumentality of a statutory or home rule charter city, county, or township as defined in
 2.31 section 471.59; and any joint powers board or organization created under section 471.59.

2.32 **EFFECTIVE DATE.** This section is effective the day following final enactment
 2.33 and applies retroactively for sales and purchases made after December 31, 2015. Local
 2.34 governments impacted by this section may apply under section 2 for a refund of taxes
 2.35 paid on exempt purchases.

3.1 **Sec. 2. REFUNDS OF TAXES PAID; LOCAL GOVERNMENTS.**

3.2 Special districts as defined under Minnesota Statutes, section 6.465; any
3.3 instrumentality of a statutory or home rule charter city, county, or township as defined in
3.4 Minnesota Statutes, section 471.59; and any joint powers board or organization created
3.5 under Minnesota Statutes, section 471.59, may apply directly to the commissioner of
3.6 revenue for a refund of taxes paid on purchases made after December 31, 2015, and before
3.7 January 1, 2016, that are exempt under Minnesota Statutes, section 297A.70, subdivision
3.8 2. Each entity may file only one application for a refund of all taxes paid during this time
3.9 period. The application must be in the form required by the commissioner and provide
3.10 sufficient information that the commissioner can verify the amount paid. Interest must be
3.11 paid on the refund at the rate in Minnesota Statutes, section 270C.405, from 90 days after
3.12 the refund claim is filed with the commissioner. The amount required to make the refunds
3.13 is annually appropriated to the commissioner.