

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-NINTH SESSION**

**S.F. No. 457**

(SENATE AUTHORS: WESTROM)

DATE	D-PG	OFFICIAL STATUS
02/02/2015	184	Introduction and first reading Referred to Transportation and Public Safety

A bill for an act

relating to transportation; exempting the Department of Transportation from payment of sales tax and providing for appropriation of sales tax amounts to be paid to contractors; adjusting distribution of motor vehicle lease sales tax revenues; amending formula for payment of replacement service operation costs; amending Minnesota Statutes 2014, sections 297A.70, subdivision 2; 297A.815, subdivision 3; 473.388, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 161.

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

**Section 1. [161.087] BUDGET SUBMISSION FOR SALES TAX PAYMENTS TO CONTRACTORS.**

In each biennial budget submission, the commissioner shall specify the amounts estimated to be paid to contractors and subcontractors in the biennium that are attributable to sales tax for materials purchased by contractors and subcontractors under lump sum contracts or similar types of contracts that contain a guaranteed maximum price covering both labor and materials for use in the construction, reconstruction, improvement, or maintenance of trunk highways. The legislature shall include these amounts in appropriations for Department of Transportation state road construction.

Sec. 2. Minnesota Statutes 2014, section 297A.70, subdivision 2, is amended to read:

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

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

(2) school districts, local governments, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for

2.1 Arts Education, and an instrumentality of a political subdivision that is accredited as an  
2.2 optional/special function school by the North Central Association of Colleges and Schools;

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

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

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

2.10 (6) public libraries, public library systems, multicounty, multitype library systems  
2.11 as defined in section 134.001, county law libraries under chapter 134A, state agency  
2.12 libraries, the state library under section 480.09, and the Legislative Reference Library; and

2.13 (7) the Department of Transportation.

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

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

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

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

2.24 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
2.25 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
2.26 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic  
2.27 beverages purchased directly by the United States or its agencies or instrumentalities; or

2.28 (5) goods or services purchased by a local government as inputs to goods and  
2.29 services that are generally provided by a private business and the purchases would be  
2.30 taxable if made by a private business engaged in the same activity.

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

2.34 (d) As used in this subdivision, "local governments" means cities, counties, and  
2.35 townships.

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

3.8 **EFFECTIVE DATE.** This section is effective July 1, 2015, and applies to sales and  
 3.9 purchases on or after that date.

3.10 Sec. 3. Minnesota Statutes 2014, section 297A.815, subdivision 3, is amended to read:

3.11 Subd. 3. **Motor vehicle lease sales tax revenue.** (a) ~~For purposes of this~~  
 3.12 ~~subdivision, "net revenue" means an amount equal to:~~

3.13 ~~(1) the revenues, including interest and penalties, collected under this section, during~~  
 3.14 ~~the fiscal year; less~~

3.15 ~~(2) in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal~~  
 3.16 ~~year 2013 and following fiscal years, \$32,000,000.~~

3.17 ~~(b) On or before June 30 of each fiscal year, the commissioner of revenue shall~~  
 3.18 ~~estimate the amount of the revenues and subtraction under paragraph (a) for the current~~  
 3.19 ~~fiscal year, including interest and penalties, collected under this section during the fiscal~~  
 3.20 ~~year.~~

3.21 ~~(e) (b)~~ On or after July 1 of the subsequent fiscal year, the commissioner of  
 3.22 management and budget shall transfer the ~~net revenue~~ revenues as estimated in paragraph  
 3.23 ~~(b) (a)~~ from the general fund, as follows:

3.24 (1) ~~\$9,000,000 annually until January 1, 2016, and \$32,000,000 to the county~~  
 3.25 ~~state-aid highway fund;~~

3.26 (2) 50 percent annually thereafter of the remainder to the county state-aid highway  
 3.27 fund, subject to the following limitation. Notwithstanding any other law to the contrary,  
 3.28 the commissioner of transportation shall allocate the funds transferred under this clause  
 3.29 to the counties in the metropolitan area, as defined in section 473.121, subdivision 4,  
 3.30 excluding the counties of Hennepin and Ramsey, so that each county shall receive of such  
 3.31 amount the percentage that its population, as defined in section 477A.011, subdivision 3,  
 3.32 estimated or established by July 15 of the year prior to the current calendar year, bears to  
 3.33 the total population of the counties receiving funds under this clause; and

3.34 ~~(2) the remainder~~ (3) remaining revenues to the greater Minnesota transit account.

4.1 **EFFECTIVE DATE.** This section is effective July 1, 2015, and applies to sales and  
4.2 purchases on or after that date.

4.3 Sec. 4. Minnesota Statutes 2014, section 473.388, subdivision 4, is amended to read:

4.4 Subd. 4. **Financial assistance.** (a) The council must grant the requested financial  
4.5 assistance if it determines that the proposed service is intended to replace the service to  
4.6 the applying city or town or combination thereof by the council and that the proposed  
4.7 service will meet the needs of the applicant at least as efficiently and effectively as the  
4.8 existing service.

4.9 (b) The amount of assistance which the council must provide to a system under this  
4.10 section may not be less than the sum of the amounts determined for each municipality  
4.11 comprising the system as follows:

4.12 (1) the transit operating assistance grants received under this subdivision by the  
4.13 municipality in calendar year 2001 or the tax revenues for transit services levied by the  
4.14 municipality for taxes payable in 2001, including that portion of the levy derived from  
4.15 the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of  
4.16 the municipality's aid under section 273.1398, subdivision 2, attributable to the transit  
4.17 levy; times

4.18 (2) the ratio of (i) an amount equal to ~~3.74~~ 4.5 percent of the state revenues generated  
4.19 from the taxes imposed under chapter 297B for the current fiscal year to (ii) the total  
4.20 transit operating assistance grants received under this subdivision in calendar year 2001 or  
4.21 the tax revenues for transit services levied by all replacement service municipalities under  
4.22 this section for taxes payable in 2001, including that portion of the levy derived from  
4.23 the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of  
4.24 homestead and agricultural credit aid under section 273.1398, subdivision 2, attributable  
4.25 to nondebt transit levies, times

4.26 (3) the ratio of (i) the municipality's total taxable market value for taxes payable  
4.27 in 2006 divided by the municipality's total taxable market value for taxes payable in  
4.28 2001, to (ii) the total taxable market value of all property located in replacement service  
4.29 municipalities for taxes payable in 2006 divided by the total taxable market value of all  
4.30 property located in replacement service municipalities for taxes payable in 2001.

4.31 (c) The council shall pay the amount to be provided to the recipient from the funds  
4.32 the council receives in the metropolitan area transit account under section 16A.88.

4.33 **EFFECTIVE DATE.** This section is effective July 1, 2015.