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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **605**

01/30/2017 Authored by McDonald, Poston, Loonan, Lohmer, Daudt and others
The bill was read for the first time and referred to the Committee on Environment and Natural Resources Policy and Finance
02/01/2017 By motion, recalled and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; sales and use; providing an exemption for an annual city
1.3 celebration; modifying the threshold for duration of premises leases for certain
1.4 nonprofit fund-raising events; amending Minnesota Statutes 2016, section 297A.70,
1.5 subdivision 14, by adding a subdivision.

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

1.7 Section 1. Minnesota Statutes 2016, section 297A.70, subdivision 14, is amended to read:

1.8 Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible
1.9 personal property or services at, and admission charges for fund-raising events sponsored
1.10 by, a nonprofit organization are exempt if:

1.11 (1) all gross receipts are recorded as such, in accordance with generally accepted
1.12 accounting practices, on the books of the nonprofit organization; and

1.13 (2) the entire proceeds, less the necessary expenses for the event, will be used solely
1.14 and exclusively for charitable, religious, or educational purposes. Exempt sales include the
1.15 sale of prepared food, candy, and soft drinks at the fund-raising event.

1.16 (b) This exemption is limited in the following manner:

1.17 (1) it does not apply to admission charges for events involving bingo or other gambling
1.18 activities or to charges for use of amusement devices involving bingo or other gambling
1.19 activities;

1.20 (2) all gross receipts are taxable if the profits are not used solely and exclusively for
1.21 charitable, religious, or educational purposes;

2.1 (3) it does not apply unless the organization keeps a separate accounting record, including
 2.2 receipts and disbursements from each fund-raising event that documents all deductions from
 2.3 gross receipts with receipts and other records;

2.4 (4) it does not apply to any sale made by or in the name of a nonprofit corporation as
 2.5 the active or passive agent of a person that is not a nonprofit corporation;

2.6 (5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

2.7 (6) it does not apply to fund-raising events conducted on premises leased for more than
 2.8 ~~five~~ 25 days but less than 30 days; and

2.9 (7) it does not apply if the risk of the event is not borne by the nonprofit organization
 2.10 and the benefit to the nonprofit organization is less than the total amount of the state and
 2.11 local tax revenues forgone by this exemption.

2.12 (c) For purposes of this subdivision, a "nonprofit organization" means any unit of
 2.13 government, corporation, society, association, foundation, or institution organized and
 2.14 operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans'
 2.15 purposes, no part of the net earnings of which inures to the benefit of a private individual.

2.16 (d) For purposes of this subdivision, "fund-raising events" means activities of limited
 2.17 duration, not regularly carried out in the normal course of business, that attract patrons for
 2.18 community, social, and entertainment purposes, such as auctions, bake sales, ice cream
 2.19 socials, block parties, carnivals, competitions, concerts, concession stands, craft sales,
 2.20 bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals,
 2.21 galas, special event workshops, sporting activities such as marathons and tournaments, and
 2.22 similar events. Fund-raising events do not include the operation of a regular place of business
 2.23 in which services are provided or sales are made during regular hours such as bookstores,
 2.24 thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or
 2.25 other activities carried out in the normal course of business.

2.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 2.27 30, 2017.

2.28 Sec. 2. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to
 2.29 read:

2.30 **Subd. 20. City celebrations.** (a) Sales of tangible personal property or services and
 2.31 admissions charges to a city-designated annual city celebration designed to promote
 2.32 community spirit and cooperation are exempt. Exempt sales include the sale of prepared
 2.33 food, candy, soft drinks, malt liquor and wine as defined in section 340A.101, subdivisions

3.1 19 and 27, at the event. The governing board of a statutory or home rule charter city with
3.2 a population of less than may designate one event in each calendar year as the annual
3.3 city celebration that qualifies for the exemption under this subdivision. For a celebration to
3.4 qualify, it must meet the following requirements:

3.5 (1) the event must be held on consecutive days, not to exceed ten days in total;

3.6 (2) the event must be run either by the city or by a nonprofit organization designated by
3.7 the city;

3.8 (3) all gross receipts of the event are recorded as such, in accordance with generally
3.9 accepted accounting practice on the books of the city or the designated nonprofit organization;
3.10 and

3.11 (4) the entire proceeds, less the necessary expenses, will be distributed to one or more
3.12 of the following for charitable, educational, civic, or governmental purposes:

3.13 (i) the city's general fund;

3.14 (ii) a nonprofit 501(c)(3) organization to promote its primary mission; or

3.15 (iii) a nonprofit 501(c)(4) organization to promote its primary mission, however, no
3.16 revenues from this event may be used by the organization for lobbying or political activities.

3.17 (b) This exemption is limited in the following manner:

3.18 (1) it does not apply to admission charges for events involving bingo or other gambling
3.19 activities or to charges for use of amusement devices involving bingo or other gambling
3.20 activities;

3.21 (2) all gross receipts are taxable if the profits are not used solely and exclusively for
3.22 charitable, educational, civic, or governmental purposes; and

3.23 (3) it does not apply unless the city or designated nonprofit organization keeps a separate
3.24 accounting record, including receipts and disbursements for all events included in the
3.25 celebration that documents all deductions from gross receipts with receipts and other records.

3.26 (c) For purposes of this subdivision, "nonprofit organization" means any unit of
3.27 government, corporation, society, association, foundation, or institution organized and
3.28 operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans'
3.29 purposes, no part of the net earnings of which inures to the benefit of a private individual.

3.30 (d) For purposes of this subdivision, "city celebration" means any of the following
3.31 activities or combination of activities of limited duration, not regularly carried out in the
3.32 normal course of business, that attract patrons for community, social, and entertainment

4.1 purposes, such as parades, auctions, bake sales, ice cream socials, block parties, carnivals,
4.2 competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, fairs, fashion
4.3 shows, festivals, galas, special event workshops, sporting activities such as marathons and
4.4 tournaments, and similar events. A city celebration does not include the operation of a
4.5 regular place of business in which services are provided or sales are made during regular
4.6 hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, or
4.7 regularly scheduled activities carried out in the normal course of business.

4.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
4.9 30, 2017.