

**SENATE**  
**STATE OF MINNESOTA**  
**NINETIETH SESSION**

**S.F. No. 3812**

(SENATE AUTHORS: SPARKS)

DATE  
03/26/2018

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Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; exempting medical facilities in underserved areas from certain

1.3 sales and property taxes; amending Minnesota Statutes 2016, sections 275.025,

1.4 by adding a subdivision; 297A.70, subdivision 7; 297A.71, by adding a subdivision;

1.5 469.1812, subdivision 1, by adding subdivisions; proposing coding for new law

1.6 in Minnesota Statutes, chapter 469.

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

1.8 Section 1. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision

1.9 to read:

1.10 Subd. 6. **Medical facility in underserved area.** The state general levy for any property

1.11 qualifying under section 469.1817 is abated. The net tax capacity of the property is included

1.12 in the definition of commercial-industrial tax capacity for the purposes of determining the

1.13 state general levy tax rate under subdivision 4.

1.14 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

1.15 Sec. 2. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

1.16 Subd. 7. **Hospitals, outpatient surgical centers, and critical access dental providers.**

1.17 (a) Sales, except for those listed in paragraph (d), to a hospital are exempt, if the items

1.18 purchased are used in providing hospital services. For purposes of this subdivision, "hospital"

1.19 means a hospital organized and operated for charitable purposes within the meaning of

1.20 section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any

1.21 other jurisdiction, and "hospital services" are services authorized or required to be performed

1.22 by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (d), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) Sales, except for those listed in paragraph (d), to a critical access dental provider are exempt, if the items purchased are used in providing critical access dental care services. For the purposes of this subdivision, "critical access dental provider" means a dentist or dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the previous calendar year, had no more than 15 percent of its patients covered by private dental insurance.

(d) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider, even though the clinic, office, or facility may be owned and operated by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

(e) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

(f) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

(1) the nonprofit unit would have qualified for exemption under subdivision 4; and

(2) the items purchased would have qualified for the exemption.

(g) Sales, except for those listed in paragraph (d), to a qualifying medical facility are exempt, if the items are purchased or used in providing medical services. For purposes of this subdivision, "qualifying medical facility" means a medical facility as defined in section 144.561, subdivision 1, that has been granted an abatement of the state general tax under section 469.1817.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2018.

Sec. 3. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 60. **Medical facility in underserved area.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of real property that has been granted an abatement of the state general tax under section 469.1817 are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2018.

Sec. 4. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the following terms have the meanings given.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

Sec. 5. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision to read:

Subd. 2a. **Medical facility.** "Medical facility" has the same meaning as in section 144.561, subdivision 1.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

Sec. 6. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision to read:

Subd. 2b. **Medically underserved county.** "Medically underserved county" means a county, any portion of which is designated by the federal secretary of health and human services as a health professional shortage area as defined under section 151.01, subdivision 34. By December 15 of each year, the commissioner of health must certify to the commissioner of revenue the counties that are medically underserved. By December 31 of each year, the commissioner of revenue must certify the list of medically underserved counties to county assessors, for assessments in the following year.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2018 for taxes payable in 2019. For assessment year 2018, the certification required to be made by the commissioner of health must be made by June 1, 2018, and the certification required to be made by the commissioner of revenue must be made by June 15, 2018.

Sec. 7. **[469.1817] MEDICALLY UNDERSERVED AREAS.**

Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated for any property or portion thereof containing a medical facility that has been granted an abatement under section 469.1813, provided that:

(1) the facility is located in a medically underserved county at the time the abatement resolution is adopted;

(2) the facility is not located in a metropolitan county as defined under section 473.121, subdivision 4;

(3) the resolution of one or more governing bodies granting the abatement specifies that the facility addresses an underserved need for medical services in the area; and

(4) both the county and the city or town are abating all taxes on the property containing the facility for at least 15 years.

Subd. 2. **Duration.** The state general tax is abated for 15 years.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.