SENATE STATE OF MINNESOTA EIGHTY-SEVENTH LEGISLATURE

S.F. No. 985

(SENATE AUTHORS: DEKRUIF and Ortman)

D-PG DATE OFFICIAL STATUS

Introduction and first reading 03/21/2011 609

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Referred to Taxes See SF1972, Art. 2, Sec. 3

A bill for an act 1.1 relating to taxation; clarifying the timing of tax collection for rent-to-own 12 or lease-to-own used vehicles; amending Minnesota Statutes 2010, section 1.3 297A.815, subdivision 1. 1.4

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

Section 1. Minnesota Statutes 2010, section 297A.815, subdivision 1, is amended to read:

Subdivision 1. Motor vehicle lease price; payment. (a) In the case of a lease of a motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the tax is imposed on the total amount to be paid by the lessee under the lease agreement. Except as provided in paragraph (e), the lessor shall collect the tax in full at the time the lease is executed or, if the tax is included in the lease and the lease is assigned, the tax is due from the original lessor at the time the lease is assigned. The total amount to be paid by the lessee under the lease agreement equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee taken in trade by the lessor, plus the price of any taxable goods and services included in the lease and the rent charge as provided by Code of Federal Regulations, title 12, section 213.4, excluding any rent charge related to the capitalization of the tax.

(b) If the total amount paid by the lessee for use of the leased vehicle includes amounts that are not calculated at the time the lease is executed, the tax is imposed and must be collected by the lessor at the time the amounts are paid by the lessee. In the case of a lease which by its terms may be renewed, the sales tax is due and payable on the

Section 1. 1

S.F. No. 985, as introduced - 87th Legislative Session (2011-2012) [11-2735]

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total amount to be paid during the initial term of the lease, and then for each subsequent renewal period on the total amount to be paid during the renewal period.

- (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim for a refund of the total tax paid minus the amount of tax due for the period the vehicle is used by the lessee.
- (d) If a lessee's obligation to make payments on a lease is canceled more than 90 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is consummated within 30 days of the date the prior lease was canceled. The amount of the credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2) the ratio of the number of full months remaining in the lease at the time of termination compared to the term of the lease used in calculating sales tax paid at the inception of the lease. The credit or any part of it cannot be assigned or transferred to another person.
- (e) For rent-to-own or lease-to-own used vehicles where the lessee may purchase or return the vehicle at any time for any reason without penalty, the sales tax is imposed:
- (1) on the amount of the down payment and is collected at the time the down payment is paid by the lessee; and
- (2) on each periodic lease payment and is collected at the time of each periodic lease payment.

Section 1. 2