

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 174

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Subject: Exempting local government purchases from the sales tax

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Overview

Most local governments have paid sales tax on their purchases since 1992. The tax was imposed at that time as an alternative to reducing appropriations to local government aid programs during a state budget shortfall.

This bill would restore and slightly expand the tax exemptions enjoyed by local governments prior to 1992. Purchases of construction materials by contractors and subcontractors for local government construction contracts would still remain taxable.

Section

- 1 Sales to government.** Removes specific sales tax exemptions for local government hospitals and nursing homes and the Metropolitan Council and replaces it with a general exemption for purchases by political subdivisions. Allows local governments the same exemptions for motor vehicle leasing, lodging, and prepared food currently allowed the federal government. Effective for sales made after June 30, 2007.
- 2 Sales of certain goods and services to government.** Removes exemptions from specific goods purchased by political subdivisions. These will now be exempt under the general provision in section 1. Effective for sales made after June 30, 2007.