HOUSE RESEARCH =

Bill Summary =

FILE NUMBER: H.F. 2592 **DATE:** March 22, 2010

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Subject: Expanding the sales tax exemption for 800 megahertz public safety radio

systems to the entire state

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Overview

Currently, the purchase of products and services used in the regionwide, 800 megahertz, public safety radio system is exempt in the metropolitan area, the Rochester area, the St. Cloud area, and Itasca County. This bill expands that exemption to the rest of the state. Because of state budget constraints, the tax must be paid upfront in the rest of the state and then refunded. The refunds are limited to \$1 million per year and the corporate income tax is modified by disallowing deductions for real estate investment trusts (REIT) to offset the cost of this exemption expansion.

Section

- **Dividends received from another corporation.** Disallows the deduction of dividends from a real estate investment trust (REIT) if not considered a dividend under the Internal Revenue Code. Effective beginning with taxable years starting after December 31, 2009.
- Regionwide public safety radio communication system; products and services.

 Expands this sales tax exemption from certain areas to the entire state. Requires that in the new areas, the tax be paid at the time of purchase and refunded as provided in section 3. Effective beginning with purchases made after June 30, 2010.
- **Refund; appropriation.** Requires that the governmental entity that owns or contracts for the regionwide public safety radio system apply for the refund. Requires contractors and subcontractors to provide the governmental entity with information on taxes paid. Limits refunds for this purpose to no more than \$1 million per year. Requires that the refunds of both the regular sales tax and the constitutionally dedicated 3/8th sales tax be refunded from the general fund. Effective beginning with purchases made after June 30, 2010.