

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2422
Version: As introduced

DATE: March 6, 2014

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Subject: Modifying the local government sales tax exemption

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Last year the existing sales tax for schools and towns was expanded to include purchases by counties and cities. This bill modifies that exemption as follows:

- Eliminates the illustrative list of government services whose inputs would remain taxable and replaces it with a definitive list that only includes the services specifically enumerated in the illustrative list. Goods and services purchased by exempt local governments for a publicly provided liquor store, gas or electric utility, golf course, marina, health and fitness center, campground, cafe, or laundromat, will remain taxable.
- Extends the definition of tax exempt local government, which currently includes counties, cities, and townships, to include purchases by their instrumentalities, special districts defined under Minnesota Statute, section 6.475, and any special district organized under a joint powers agreement. Minnesota Statutes, section 6.475, defines special districts to include “special taxing districts”, such as the metropolitan council and watershed districts, as well as local government instrumentalities established by cities, counties, and townships, that make separate financial reports to the state auditor. Instrumentalities of school districts are already exempt.

Effective for sales and purchases after June 30, 2014.