

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2423
Version: As amended (H2423A1)

DATE: March 9, 2014

Authors: Lesch and others

Subject: Exempting construction materials purchased by contractors and used in local government projects from the sales tax

Analyst: Pat Dalton, 651-296-7434

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

Allows school districts, counties, townships, and cities to file for a sales tax refund on construction materials purchased by contractors for school and local government projects under lump sum contracts. The contractors must pay the tax at the time of purchase with the local government applying for the refund.

Currently local governments may only get an exemption on construction materials if they make the purchase directly or through a materials only contract where a contractor is acting as the government's purchasing agent. In the case of a lump-sum contract (materials and supplies) the contractor must pay sales tax on the construction materials. This change would allow contractors to buy their materials tax exempt under a lump-sum contract with school districts and local governments.

Section

- 1 Sales to governments.** Modifies the provision excluding contractor purchases under lump sum contracts from the government sales tax exemption to allow contractor purchases under section 3.

Effective for sales and purchases after June 30, 2014.

- 2 Scope.** Clarifies that unless otherwise provided, an owner or contractor, subcontractor, or builder must either (1) provide an exemption certificate when purchasing construction materials and supplies or (2) pay the tax and apply for a refund.

Section

Effective for sales and purchases after June 30, 2014.

- 3 Construction materials purchased by contractors; local government exemption.** Provides a sales tax exemption for construction materials used for school district and local government (counties, cities, and townships only) buildings and facilities including public infrastructure improvements such as roads, bridges, culverts, and water and wastewater facilities. The tax has to be paid at the time of purchase and refund as provided in sections 4 to 6.

Effective for sales and purchases after June 30, 2014.

- 4 Tax collected.** Adds the exemption under section 3 to the list of sales tax exemptions where the taxes are paid at the point of purchase and then refunded. Effective for sales and purchases after June 30, 2014.
- 5 Refunds; eligible persons.** States that the local government or school district must apply for the refund of taxes paid under section 3.
- 6 Application.** Requires the contractor, subcontractor, or builder to furnish the school district or local government with the information needed to apply for the refund of taxes paid in section 3.
- 7 Repealer.** Repeals the rules related to purchases by contractors for local government lump-sum contracts that are currently in effect.

Effective for sales and purchases after June 30, 2014.