

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2532
Version: As Introduced

DATE: March 8, 2014

Authors: Zerwas and others

Subject: Retroactively expands the sales tax exemption for local government purchases

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/hrd.htm.

Overview

Last year the existing sales tax for schools and towns was expanded to include purchases by counties and cities. The exemption did not include purchases made by the local government to provide goods or services usually provided by the public sector (such as liquor stores and golf courses); nor did it exempt instrumentalities of the counties, cities, or towns, including purchases made by joint powers agreements.

This bill limits the exclusion related to goods and services usually provided by the public sector to only those goods and services in the original illustrative list. It also extends the exemption to instrumentalities of counties, cities, and townships that are special districts or organized under joint powers agreements.

Effective retroactively for sales and purchases after June 30, 2013, with a refund mechanism included.

Section

- 1 Sales to governments.** Modifies the sales tax exemption for local government purchases by:
- eliminating 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; and
 - extends the definition of tax-exempt local government, which currently includes counties, cities, and townships, to include purchases by their instrumentalities, including any special district defined under Minnesota Statute, section 6.465 or any

Section

special district organized under a joint powers agreement.

Effective retroactively to sales and purchases made after June 30, 2013.

- 2** **Sales tax; temporary refund mechanism.** Allows local governments who paid sales tax on purchases now exempt under section 1, to apply for a refund. The local government must apply on a form prescribed by the commissioner of revenue and may only make one application for the entire period. Effective the day after final enactment.