

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3256

DATE: April 7, 2014

Version: As amended by author's amendment (H3256A1)

Authors: Hoppe and Davids

Subject: Modifies the treatment of certain fiber optic and cable installation for sales tax purposes

Analyst: Pat Dalton

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Changes the sales tax treatment of fiber optic and communication cable in buildings to a retail sale and not as an improvement to real property. This applies to fiber optic and cable required to be removed from abandoned buildings as a fire hazard under the National Electrical Code. Effective for sales and purchases made after June 30, 2014.

Contractors who incorporate tangible personal property into real property as a permanent improvement pay use tax on taxable inputs but do not charge sales tax on the improvement to the final customer, therefore labor for installation is not taxable. If a taxable item is a retail sale, the tax on the entire transaction, including any installation fees charged by the seller, is owed by the customer.