

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1994

DATE: March 24, 2015

Version: As amended (H1994DE1)

Authors: Carlson and others

Subject: Expanding the exemption for sales to nonprofit organizations

Analyst: Pat Dalton

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Expands the sales tax exemption for sales to nonprofit charitable organizations to include sales to all 501(c)(3) organizations with a state sales tax identification number, when the item is purchased for use in the performance of their exempt function. Construction materials purchased by contractors and subcontractors, lodging, and prepared food and beverages, and most motor vehicle leases remain taxable.

Currently the law limits this exemption to organizations operated exclusively for charitable, religious, and educational functions and to purchases used primarily in performance of these allowed functions. A nonprofit organization may also be granted 501(c)(3) status under the internal revenue code for engaging in any of the following purposes as well:

- scientific;
- literary;
- testing for public safety;
- fostering national or international amateur sports competition; and
- preventing cruelty to children and animals.

Nonprofits organizations that have exemptions for their purchases under another subdivision in law are explicitly excluded from this exemption. These include veterans groups; hospitals, outpatient surgical centers, and critical access dental providers; and nursing home and boarding care facilities. Medical facilities that are excluded from the exemption for hospitals, outpatient surgical centers, and critical access dental providers are also excluded from the exemption in this section.

Effective for sales and purchases made after June 30, 2015.