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Subject: Sales tax exemption for contractor purchases for local government and nonprofit construction projects

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Overview

Provides a sales tax exemption for contractor-purchased building materials for local governments and nonprofits that already have an exemption if the entity purchases the building materials themselves. The tax would be paid at the time of the purchase and the local government or nonprofit entity would apply for the refund. Effective after June 30, 2017.

This will allow these entities to benefit from a sales tax exemption on all construction materials regardless of whether they do an all-inclusive construction contract or separate contracts for material and for labor.

Section

1 Construction materials purchased by contractor; exemption for certain entities. Allows a contractor, subcontractor, or builder a sales tax exemption on construction materials and supplies used in buildings and facilities used principally by one of the following:

- ▶ school districts;
- ▶ other local governments;
- ▶ government owned hospitals and nursing homes;
- ▶ libraries;
- ▶ charitable, religious, and educational nonprofits;

- ▶ nonprofit hospitals, nonprofits, and critical access dental providers; and
- ▶ nonprofit nursing homes and boarding care homes.

Each of these groups already have a sales tax exemption for their purchases and may currently buy these materials exempt if they purchase the materials themselves under a separate contract.

Also exempts materials used in the construction, reconstruction, and repair of public infrastructure like roads, bridges, sewers, and water treatment facilities.

The tax is paid by the contractor at the time of sale, and the tax is refunded to the tax exempt entity under sections two to four.

Effective after June 30, 2017.

- 2 **Tax collected.** Adds the construction exemption in section 1 to the list of exemptions that are handled as refunds. Also eliminates some obsolete cross references.
- 3 **Refund; eligible person.** States that the local government or nonprofit entity must apply for the refund of the tax paid by the contractor, subcontractor, or builder under section 1.
- 4 **Application.** Requires the contractor, subcontractor, or builder to provide the local government or nonprofit entity with the information needed to apply for the refund.