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Subject: Amends provisions related to Department of Transportation sales tax collection on aircraft and motor vehicles

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Overview

The bill allows the Department of Revenue to disclose sales tax returns information to the Department of Transportation needed to allow it to collect sales tax on aircraft registered in the state.

It also establishes a presumption that motor vehicle sales tax is owed if a Minnesota resident uses a “sham” business entity registered in another state to avoid paying the tax owed on a purchased motor vehicle.

Both provisions are in the 2017 Department of Revenue policy bill and are effective the day following final enactment.

Section

- 1 Department of Transportation.** Allows the Department of Revenue to disclose sales tax return information to the Department of Transportation so they can verify that the sales or use tax has been paid on the lease, purchase, or sales of an aircraft required to be registered or licensed in this state. The Department of Transportation currently acts as an agent for the Department of Revenue in collecting all sales tax owed on aircraft.

Effective the day following final enactment.

Section

2 Presumptions (motor vehicles). Makes the presumption that a motor vehicle purchased by a foreign business entity but under the control of a Minnesota resident is actually purchased by the Minnesota resident for purposes of imposing the motor vehicle sales tax if at least two of the following conditions are met for the business entity:

- ▶ it has no specific activity or purpose other than tax avoidance;
- ▶ it has no physical presence in the jurisdiction in which it is organized,
- ▶ it earns little or no revenue;
- ▶ it maintains minimal or no business records;
- ▶ it doesn't employ people and provide them with W-2 statements; or
- ▶ it fails to file federal tax returns or required state tax returns in the state in which it is organized.

A motor vehicle is under the control of a Minnesota resident if the resident meets all of the following three conditions:

- ▶ is a partner, member, or shareholder of the business entity that made the purchase;
- ▶ is insured to drive the vehicle; and
- ▶ operates or stores the vehicle in Minnesota.

Effective the day after final enactment.